London Borough of
Redbridge

Draft

Statement of Accounts 2010/11

(UNAUDITED)

Contents

Explanatory Foreword

Introduction
This document sets out the Authority's Financial Accounts for 2010/11. This is the first year that the Authority has had to prepare the Accounts on the basis of a full adoption of International Financial Reporting Standards (IFRS).

As a consequence of the new reporting basis for the Accounts there are some significant changes to the format of many of the statements and explanatory notes. In addition there has been a restatement of the Balance sheet as at the 1 April 2009 and the entire 2009/10 Statement of Accounts to bring them in line with the new accounting standards. Therefore some of the amounts presented in the financial statements will be different from the equivalent figures previously presented in the 2009/10 Statement of Accounts. The notes set out at pages 37 - 40 provide information on the material changes.

The Authority's Accounting Statements comprise the key financial statements, explanatory notes and supplementary financial statements:

- **Movement in Reserves Statement (MiRS)**
  The Statement shows the movement on the different reserves held by the Authority, analysed into usable and unusable reserves. It analyses the increase or decrease in net worth of the Authority as a result of incurring expenses, gathering income and from movements in the fair value of the assets. It also analyses the movement between reserves in accordance with statutory provisions.

- **Comprehensive Income and Expenditure Statement (CIES)**
  This statement brings together all of the functions of the Authority and summarises all the resources that the Authority has generated, consumed or set aside in providing services during the year. As such, it is intended to show the true financial position of the Authority, before allowing for the concessions provided by statute to raise council tax according to different rules and the ability to divert particular expenditure to be met from capital resources.

- **Balance Sheet**
  This records the Authority's year-end financial position. It shows the balances and reserves at the Authority's disposal, its long term debt, net current assets or liabilities, and summarises information on the fixed assets held. It excludes the Pension Fund.

- **Cash Flow Statement**
  This summarises the inflows and outflows of cash arising from transactions with third parties for both capital and revenue.

- **Notes to the Financial Statements**
  The notes provide more detail about the items contained in the key financial statements, the Authority's Accounting Policies and other information to aide the understanding of the financial statements.

- **Housing Revenue Account (HRA)**
  This records the Authority's statutory obligations to account separately for the cost of the landlord role in respect of the provision of Council Housing.

- **Collection Fund**
  The Authority is responsible for collecting council tax and non-domestic rates, the latter on behalf of the Government. The proceeds of council tax are distributed to the Authority and the Greater London Authority (GLA). The Fund shows income due and the application of the proceeds.

- **Group Accounts**
  The Authority has a material interest in Redbridge Homes Limited, an arms length management organisation (ALMO). The Group Accounts show the consolidated position of the activities of both the Authority and Redbridge Homes Limited.

- **Pension Fund**
  The Pension Fund Accounts show the contributions from the Authority, participating employers and employees for the purpose of paying pensions. The Fund is separately managed by the Authority acting as trustee and its Accounts are separate from those of the Authority.

Review of the Financial Year

Introduction
This section sets out some of the key features of the Authority's financial performance for 2010/11.

General Fund Revenue spend in 2010/11
The Authority set an original budget for 2010/11 (net of specific grants) of £197 million. In addition the budget for schools, which is fully funded by Central Government via the Dedicated Schools Grant, was set at £194.6 million. As a result of Government grant reductions announced during the year totalling £5.8 million in-year savings were identified and service area budgets reduced accordingly.

The summary of the Outturn position is set out below:

Cluster (Service)	Budget 2010/11 £000	Actual 2010/11 £000	Variance 2010/11 £000
Children's Services	59,856	59,652	(204)
Adult Social Services & Housing	77,765	76,660	(1,105)
Environment & Community Services	51,365	51,239	(126)
Finance & Resources	12,895	12,885	(10)
Chief Executive, Legal & Constitutional	4,145	4,116	(29)
Total	**206,026**	**204,552**	**(1,474)**
Other	2,681	4,641	1,960
Borrowing & Investment costs	(8,833)	(9,253)	(420)
Levies	12,495	12,225	(270)
Area Based Grants	(15,346)	(15,346)	0
Total General Fund net expenditure	**197,023**	**196,819**	**(204)**
Funded by:			
Government Formula Grant	98,018	98,018	
Council Tax receipts	99,005	99,005	
	197,023	**197,023**	
Surplus / (Deficit) for Year	0	204	
General Fund working Balance 31/03/10	14,639	14,639	
General Fund Working Balance 31/03/11	**14,639**	**14,843**	

Housing Revenue Account (HRA)
The Statement of Accounts also includes the ring-fenced Housing Revenue Account for the provision of Council housing. The HRA made a net surplus of £29,000 increasing the working balance to £2.426 million.

Capital Spending and Funding
The Authority incurred capital expenditure of £75 million in 2010/11. Expenditure included £10.2 million towards the replacement of secondary schools and £27.1 million was spent on improvements to existing schools and children's centres. £4.3 million was provided for housing and improvement grants and £10.8 million on improvements to Council Houses. £7.8 million was spent on improvements to the Authority's roads and street lighting. £4.7 million was spent on sports ground development and £5.2 million was spent on vehicles, equipment and software licences, and a total of £4.9 million related to various other services.

The summary below sets out the capital expenditure across services and how it was funded:

	£000
Children's Services	37,496
Highways	7,776
Housing – General Fund	1,175
Housing – HRA	10,818
Culture, Sports & Community Learning	5,449
Adult Social Services	914
Property Management	994
Planning	218
Vehicles & Equipment	5,359
Computer Software / Licences	112
Housing Grants	3,134
Other	1,611
	75,056
Funded by:	
Borrowing	12,153
Capital Grants & Contributions	52,352
Capital Receipts	1,664
Contributions from Reserves	7,603
Revenue Contributions	1,284
	75,056

Borrowing
The Authority undertakes long term borrowing for periods in excess of one year in order to finance capital spending. The Authority satisfies its borrowing requirement for this purpose by securing external loans. However, the Authority is able to temporarily defer the need to borrow externally by using the cash it has set aside for longer term purposes; this practice means that there is not always a direct link between the need to borrow to pay for capital spend and the level of external borrowing. The effect of using the cash set aside for longer term purposes to temporarily defer external borrowing is to reduce the level of cash that the Authority has available for investment.

The Authority undertook £15 million of new borrowing in 2010/11 being only a small proportion of its borrowing requirement to fund the Capital Programme.

Investments
The Authority's Annual Investment Strategy, which is incorporated in the Treasury Management Strategy, outlines the Authority's investment priorities as the security and liquidity of its capital.

The Authority will also aim to achieve the optimum return on investments commensurate with appropriate levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term, and only invest with highly credit rated financial institutions. A list of counterparties with whom funds could be invested was compiled with reference to the credit ratings issued by the credit agencies Fitch, Moody's and Standard & Poor's.

Further details of investment activities are provided within Note 49 which commences on page 82.

Local Government Pension Scheme
The Authority accounts for retirement benefits when it is committed to give them, even if the actual payment will be many years into the future. This means that:

- The financial statements reflect the liabilities arising from the Authority's retirement obligations.
- The costs of providing retirement benefits to employees are recognised in the accounting period in which the benefits are earned by employees, and the related finance costs and any other changes in value of assets and liabilities are recognised in the accounting periods in which they arise.
- The financial statements disclose the cost of providing retirement benefits and related gains, losses, assets and liabilities.

As at 1 April 2011 the Authority's net pension liability amounted to £221 million. In comparison, the equivalent figure amounted to £283 million at 31 March 2010. Statutory requirements for funding the deficit mean that the financial position of the Authority remain healthy, as the deficit will be funded by increased contributions and investment returns over 20 years.

Further details on the basis on which the Authority accounts for retirement benefits are provided within the Statement of Accounting Policies on page 27, and the change to the pension liability in 2010/11 is analysed in note 47 to the accounts.

Future Outlook
To facilitate the delivery of its national deficit reduction plan the Government announced significant reductions in public sector spending. For local government this included in-year (2010/11) cuts in previously advised grant allocations for that year of £1.2 billion. The Spending Review 2010 announced a further £5.5 billion reduction in the Central Government contributions to local government over the four-year period 2011/12 to 2014/15.

Therefore at its October 2010 meeting the Authority agreed in-year spending reductions of £6.8 million to off-set the in-year grant cuts for Redbridge. Then, at its meeting on 3 March 2011, the Authority agreed a three-year budget that whilst setting a freeze (for the second year) in Council Tax in 2011/12, includes a three-year savings programme of £26.2 million.

More than 79% of the planned savings from 2011/12 onwards will be delivered through reduction in back office costs, improved performance and procurement efficiency savings and to a lesser extent changes in resource funding streams. The Authority has sought to protect front-line services.

These are, and will continue to be, difficult and testing times for the Authority as it faces further potential grant cuts and contends with growing demographic and other service delivery pressures. The Authority continues to hold reserve balances at a level that are considered adequate to meet any unforeseen pressures and/or any risk associated with the delivery of its planned savings over the three-year period to 2013/14.

The above pressures on the Authority's revenue budget this have in turn put pressure on capital spending. Members have agreed a policy of only supporting unavoidable Capital Expenditure items.

The Authority's approved capital programme for all schemes continuing or starting in 2011/12 amounts to £142.9 million. This includes schemes amounting to £95.0 million funded from the Authority's own resources and £47.9 million from external resources. The most significant area of funding is that for the provision of additional pupil places at both the primary and secondary school entry level.

Accounting Policies
The 2010/11 accounts are, as required, compliant with International Financial Reporting Standards (IFRS) with restated prior year comparables. They comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) / Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom 2010 (the Code) which is based on IFRS.

The accounting policies adopted by the Authority comply with the Code and are set out on pages 26 to 37.

International Financial Reporting Standards (IFRS)
Local Authorities are now required to prepare their Accounts in accordance with IFRS. These new accounting requirements have resulted in significant changes to the core financial statements and in addiction, have necessitated extensive additional notes to the accounts. In particular, the Comprehensive Income and Expenditure Account now requires various notional items of income and expenditure that need to be included in cost of services, but then are reversed out in order to arrive at a cash surplus or deficit for the year without impacting on council tax payers and council housing tenants. As a consequence, the Comprehensive Income and Expenditure Account is reporting a surplus for 2010-11 of around £59 million, but after adjustments required under regulations, is reduced to year end figures as reported in the Revenue Outturn Statement as reported to Cabinet.

Conclusion
The production of these accounts has been particularly challenging given all the above issues. This has required considerable efforts by many staff across the Authority but particularly from those in the Finance Service. It is only right that I extend my thanks to all those staff particularly the core close-down team.

G. Pearce, BA, CPFA
Director of Finance and Resources
30 June 2011

Annual Governance Statement 2010/11

Each year the Authority is required by law to produce a statement that details the framework for making decisions and controlling the resources of the Authority. The statement covers both the Authority's governance arrangements as well as internal control issues. This statement should enable stakeholders to have an assurance that decisions are properly made and public money is being properly spent on citizens' behalf. The statement below complies with the Accounts and Audit Regulations 2003 as amended.

Scope of responsibility
Redbridge is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Redbridge also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Redbridge is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Redbridge's local code of corporate governance is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the Code is on our website forming part of the Constitution or it can be obtained from the Authority's Monitoring Officer. This statement explains how Redbridge currently complies with the Code and also meets the requirements of the Accounts and Audit Regulations 2011 in relation to the publication of a Statement of Internal Control.

The purpose of the Governance Framework
The Governance Framework comprises the systems, processes, culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Redbridge's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

Redbridge's governance framework is established through its systems, processes, cultures and values. The Authority's systems and controls are regularly reviewed to reflect changing needs. The local Code has been incorporated into the constitution as a one point of reference for the Authority's framework for its Governance arrangements. The Governance Framework has been in place at Redbridge for the year ended 31 March 2011, and up to the date of approval of the Statement of Accounts.

The Governance Framework
The key elements of the systems and processes that comprise the Authority's governance arrangements are described in more detail on in this statement:

Vision and Purpose
Redbridge Council has the vision "To make Redbridge a better place to live". This is supported by six aims, that Redbridge should be 'A safer place to live', 'A cleaner, greener place to live', 'A better place to learn', 'A better place for care', 'A better place for business', and 'A better place to live together'.

To support the corporate priorities, the Authority has a service area planning process. Given the reduction in central government requirements, the Authority's approach to service planning is now much more focused on local priorities. Service Plans provide a review of achievements for 2010/11, look forward to what is needed for 2011/12 and provide an indication of the capacity and resources available. Service Plans are supported by team work programmes and individual performance plans that ensure that teams and individual members of staff all contribute to achieving the Authority's vision, aims and objectives.

It is recognised that the Authority cannot achieve its vision alone. It needs to work in partnership with other agencies and the community to make this happen. The Authority co-ordinates the Redbridge Strategic Partnership (RSP). The RSP was formed in 2002 and there are over 100 individual organisations represented. The RSP Public Service Board is made up of the Leader and Chief Executive of Redbridge Council, Chief Executive of Redbridge NHS,

the Borough Police Commander, Chief Officer for Redbridge Council for Voluntary Services, the Chairs of each of the RSP Clusters and Job Centre Plus. The Cluster groups are organised thematically and are Cleaner, Greener Redbridge, Safer Communities, Health and Wellbeing, Enterprise Redbridge, Olympics and Paralympics, and the Children's Trust Partnership Board. Each RSP Cluster is aligned with a Scrutiny Committee to provide oversight and challenge to the delivery of priority areas. The RSP Assembly ensures communication, consultation and engagement with the third sector.

The Redbridge Sustainable Community Strategy, 'Shaping our Future Together' has the ambitious vision that 'in ten years, Redbridge will be a safe and clean place, where people are proud to live, work and invest. A place that is caring, vibrant and healthy. This Strategy was produced in 2008 and is reviewed annually. The RSP is responsible for monitoring delivery of the priority outcomes of the strategy.

Performance Management and Reporting
The performance management framework demonstrates how effective the actions being taken are and assists in monitoring progress in the way in which the Authority's strategies are translated into action plans. It also helps to identify if any risks are materialising when indicators do not show the level of progression anticipated. The performance management framework is therefore instrumental in identifying and mapping continuous improvement of services across the Authority.

The fundamentals of performance management are becoming increasingly embedded in the way the Authority operates. There is:

- a corporately defined process that ensures all Service Plans are linked to strategic aims, and in turn linked to arrangements for individual appraisal and personal development;
- an arrangement in all Clusters (Groups of Service Areas reporting to a Director), whereby performance indicators (PIs) are tracked through Cluster management teams;
- a visible system introduced through the Authority's performance management system (Corvu) that ensures that the Authority has a clear and consistent picture of performance, using a 'traffic light' system to highlight good and poor performance; and
- a number of mechanisms whereby performance in individual areas is reported to Members in the Cabinet, Scrutiny and Area Committees; this information is also available to all other Members through published reports.

Authority Constitution
This sets out the roles and responsibilities of Members and officers. It provides details about how decisions are made and who can make them. It also contains the rules for managing our finances and resources effectively. The Authority's rules and regulations form part of the Constitution. The Constitution, published on the Authority's website, sets out how the Authority operates, as detailed in documents such as Standing Orders and the Scheme of Delegation. The Scheme of Delegation states who is authorised to make decisions in particular areas. Alongside this the Authority has financial regulations, which provide details of officers' responsibilities for the Authority's control environment relating to income, expenditure, internal control, risk management and partnerships. To support officers when they are making purchases the Authority has developed Contract Standing Order and a procurement code of practice. The Scheme of Delegation and Financial Regulations are regularly kept under review.

Codes of Conduct
The Code of Conduct for Members was adopted by the Authority and came into effect from 1 October 2007, together with the 10 general principles governing the Code. Training on the Code has been provided to Members and further sessions are arranged as considered necessary by the Monitoring Officer. Members are required to complete a Declaration of Financial and Other Interests on taking Office and to keep the Declaration up to date. Members are also required to declare at meetings any personal or prejudicial interests they have in matters under consideration by the committee. Members' Declarations of Financial and Other Interests (which will include any hospitality or gift they have received valued at £25 or more), together with details of interests they have declared at meetings, are available for inspection on the Authority's Web Site. To ensure that these arrangements are kept under vigorous review the Standards Committee receive a schedule at each of its meetings containing information that enables it to monitor the operation of the Code of Conduct.

The Code of Conduct for Employees is available on the Authority's intranet site. It explains that citizens and service users expect high standards of all employees and provides guidance on how to achieve this. Employees are made aware of this Code of Conduct through the induction process.

Audit Committee functions
The Authority has an Audit Committee, established since January 2006 in compliance with the relevant CIPFA guidance. The Audit Committee has a comprehensive work programme that covers Corporate Governance (updated to include overview of this Governance Statement); Financial Management; Internal Control and Risk Management; Anti Fraud and Whistleblowing and Internal and External Audit. The Audit Committee receives and challenges

reports from management and auditors and has, where appropriate, called to account the relevant Chief Officers on key issues and high-risk areas in order to gain necessary assurances. The Audit Committee has recently reported upon its work and performance to the Authority.

Risk Management
The Authority has embedded risk management processes throughout its structure. A Risk Management Policy and Strategy is agreed by Management Board and Cabinet on an annual basis and both receive regular reports on the progress made in managing those risks identified at a corporate level. Similarly, the Audit Committee and relevant Scrutiny Committee also receive regular reports and are able to forward their comments to Cabinet for consideration.

At operational level, risk is assessed and managed both at cluster and service area levels on a regular basis. Risks identified at corporate level are used to inform the assessments at cluster and service area. Likewise, overarching risks from these areas can be used in the corporate assessment.

Risks identification and management processes are also in place for projects, partnerships and contracts. Given the growing use of partnerships to deliver services, the processes of risk identification and management have been enhanced to reflect the greater number and complexity of such arrangements.

Compliance with policies, laws and regulations
The constitution sets out the legal framework for making decisions and publishing them. There is a robust scrutiny system in place to ensure that the work of the Authority complies with all appropriate policies, laws and regulations. Scrutiny Committees have the power to call in and review any key decisions. They actively scrutinise the budget proposals made by Cabinet and they can refer certain matters to full Council.

The Authority has a number of statutory officers. The role of Head of Paid Service is undertaken by the Chief Executive; the role of Section 151 officer (Local Government Act 1972) is undertaken by the Director of Finance and Resources; and the role of Monitoring Officer is undertaken by the Borough Solicitor and Secretary. Each has the power to refer matters to full Council if a breach of regulation is possible. These officers form part of the Management Board. None of these officers have been required to use this specific power during the year. The statutory officers provide professional advice on all key decision-making reports to ensure legal, financial, risk management, procedure and equality implications are addressed.

Under the provisions of the Children Act 2004 the Local Authority also has a Statutory Officer with responsibility for Children’s Services. This role is carried out by the Director of Children Services. Likewise the Authority has a lead Member for Children Services in the Authority's Cabinet with this portfolio. The Authority has a Director with responsibility for Adult Social Services (Director of Adult Social Services and Housing) and there is also an elected Member with this portfolio who is a Member of Cabinet.

The Authority has a number of policies in place such as treasury management policies, money laundering policy and a variety of employment policies and procedures, which are kept under regular review and updated as necessary.

Counter Fraud including Whistle-blowing
The Authority has an agreed Anti Fraud and Corruption Strategy that is regularly reviewed to ensure it remains effective and adaptive to emerging issues and risks. Three key components that support this Strategy are:

- Whistleblowing arrangements that are publicised and are available to the general public, employees, contractors and partners. Reports on the outcomes of referrals are regularly submitted to management and the Audit Committee to ensure that all relevant actions are taken to counter proven allegations. Surveys are periodically undertaken to gain an understanding of the perceptions and confidence of the Authority’s whistleblowing arrangements.
- Delivering a programme of anti fraud training and guidance, including a Fraud Response Plan to instil a culture and awareness that fraud will not be tolerated.
- Participating in the National Fraud Initiative (NFI), a computerised data matching exercise conducted by the Audit Commission, designed to detect fraud perpetrated on public bodies.

Complaints process
The Authority has a recognised complaints process. This takes the form of a two-stage process enabling the public to escalate their complaints if they are dissatisfied with the answer they receive. Details of complaints are monitored by Members and Officers.

Members also receive enquiries and complaints via their surgeries, public meetings or by correspondence. The Authority has a team of staff supporting Members in addressing these queries to ensure that the public receive an appropriate answer.

If not satisfied by the Authority's process, members of the public can complain to the Local Government Ombudsman. Responding to these complaints is dealt with by Service Areas, but co-ordinated centrally.

Complaints are analysed and assessed so that the organisation can identify trends and issues and if necessary, put in place changes and improvements to seek to prevent the problem recurring.

Training and development
Members have a support officer and a development program to keep them up to date with changes and to support training needs. Training is supplemented by information through briefings, conferences and bulletins.

The Authority has a commitment that every member of staff receives a six monthly appraisal to discuss performance, targets and personal development. The Authority provides a range of training opportunities for managers and staff to ensure that they can deliver excellent service. Performance management training has been up-dated with a much stronger focus on objective setting and performance measures. In addition managers are required to undertake Discipline, Grievance and Dignity at Work training on the respective policies and procedures that are in place..

Communication and engagement
Communication is key to the Authority being able to carry out its core business efficiently and effectively. The Authority has a responsibility to communicate to residents how they can access basic services and information - ineffective communication about services will lead to increased demand on the Authority contact centre and other information services. The Authority is a major employer and has a responsibility to communicate effectively with its staff. Communications are also essential to encouraging residents to change their behaviour therefore enabling the Authority to meet key objectives. For example recycling campaigns have been key to encouraging people to recycle more. The Authority's website, Redbridge-i, has been very successful in encouraging residents to do business on-line, reducing the demand for expensive face-to-face services. Communicating the Authority objectives and performance are an essential part of the democratic process. Local people have a right to know what their council tax is funding and how their Authority is performing. Communication is also essential in encouraging people to get involved in the democratic process, attending meetings and giving their views through Council forums. Effective communications are also key to managing and improving the Authority's image and reputation to local people and people outside the borough.

The Authority has two primary communication methods with its residents. Redbridge Life is the Authority's printed communications tool. This was launched in September 2006, is published quarterly and distributed to all homes and businesses across the borough. The second is Redbridge-i, the Authority's innovative and award winning website. Registrations on the website are increasing month by month. The website is interactive and allows local people to find out information that is helpful to them and enables them to share their views of the borough and the Authority and actively participate.

Redbridge-i also provides online community engagement functions including E-forums, E-polling and online surveys.

Each year the Authority consults a range of users on its budget plans. The 2010/11 Budget Consultation demonstrated the Authority's commitment in engaging the many different communities in Redbridge. To help shape the 2011/12 budget, over twenty groups considered 'harder to reach' were directly engaged through a series of meetings, workshops and focus groups.

In addition, the Authority undertakes various user satisfaction surveys that provide services with feedback on the Authority's performance, and is used to shape service delivery and policy. A number of services have also undertaken additional forms of consultation to further assess public opinion and gather feedback on customer experience.

Redbridge also has seven Area Committees which are used to engage with our communities, inviting local people to contribute to local issues and have a say in how local projects can be provided.

Partnerships
The most significant partnership for the Authority is the Redbridge Strategic Partnership. This is governed by its own constitution. Members are also subject to a code of conduct and make declarations of interest at meetings. The Partnership identifies the shared outcomes for the community partnership and last year approved the new Sustainable Community Strategy, which sets out the vision and aspirations for the Redbridge community in the medium and long term. This strategy, vision and aspirations for the community are also linked to the Local Area Agreement, which sets targets agreed and monitored with central government.

The Authority has important partnership arrangements with the local Health Service. These cover a range of services and are aimed at delivering a seamless set of services to the public that are provided by the two bodies.

There are partnership arrangements with the Police, Probation and Youth Justice services to help to meet targets for reducing crime and making Redbridge a safer place to live.

The Authority also has a range of partnerships with other bodies, which help provide cohesive services to local residents. There are sound governance arrangements in place for the great majority of these partnerships; the Authority is keen to promote good practice in all partnerships as set out in the action plan attached to this statement.

The Authority works with its neighbours in East London in a group called "East London Solutions" which is dedicated to achieving efficiencies and improvements through joint working across the six north east London Boroughs.

Equalities

In October 2008 the Authority achieved level 3 of the Equality Standard for Local Government (ESLG). Since then the ESLG has been replaced by the Equality Framework for local Government (EFLG). The EFLG has three levels as opposed to the five in the standard, these three are:

- Emerging;
- Achieving; and
- Excellent.

Our level 3 status under the Standard migrates across as Achieving under the Framework where the Authority is recognised as an "Achieving" authority. The Authority is now striving for Excellence under the new Framework.

Regular reports are produced to monitor progress on equalities issues across the Authority. Where necessary, actions are identified and incorporated into service plans.

As part of its budget development process the Authority considers the impact of the decisions it makes in terms of equality and risk as set out within its key strategies and as required by statute. This includes requirements for consultation and equality impact assessments where these are necessary.

Review of effectiveness

Redbridge has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Directors and Chief Officers within the Authority who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

Directors and Chief Officers have responsibility for the development and maintenance of the internal control and governance environment. To support and reinforce routine review processes such as internal audit the Authority has an established overview assurance process. As part of this process a Management Working Group has been assigned responsibility for reviewing and helping to produce the AGS. Management Board members consider and agree the AGS before it is presented to the Audit Committee to endorse. The assurance provided by the Audit Committee enables the Statement of Accounts Committee to approve the annual accounts. In this way the process involves internal controls and corporate governance arrangements being overviewed corporately and the ensuing Statement being subjected to both Member and Director Scrutiny.

Directors and Chief Officers, having made enquiries with relevant senior officers, are required to complete an assurance statement to confirm that proper governance and internal control arrangements are in place for their areas of responsibility. These statements should also identify any significant areas of concern or weakness within each cluster.

The AGS Working Group sought evidence to substantiate the assessment of controls being sound. A Key Controls Diagnostic Checklist, consisting of around 60 lines of enquiry, was used to undertake a review of the adequacy and effectiveness of the internal control arrangements grouped in the following areas:

- Risk Management;
- Organisational Processes;
- Operational Management;
- Finance; and
- Compliance Issues.

As part of this process some areas for improvement were identified but none were significant enough to be deemed as control weaknesses.

One of the key governance, risk management and internal control issues that carefully need to be assessed and monitored is the affect of the current financial constraints faced by the Authority as a result of the economic downturn and Government grant funding reductions. The significant level of spending reductions that the Authority has, and will further need to impose could potentially impact on systems of internal control and increase the risk of error, irregularities and fraud. It is essential that the impact of savings and efficiencies are closely monitored to ensure that the anticipated outcomes are delivered without compromising control.

Role of the Chief Financial Officer
In statute the Chief Financial Officer (CFO) is the organisation's senior executive who is charged with leading and directing financial strategy and operations, occupying a pivotal role, both for external stakeholders and within the Leadership Team. At Redbridge the Director of Finance and Resources (DFR) holds this role. The Authority fully complies with the requirements and principles as set out in the CIPFA Statement on the Role of the Chief Financial Officer.

Internal Audit
Internal Audit and External Audit (PricewaterhouseCoopers) operate a joint working arrangement to maximise the effectiveness of the audit scrutiny of the Authority. In accordance with the Audit Commission's Code of Audit Practice, External Audit seeks to place reliance upon Internal Audit's work in the assessment of risk, core accounting processes, and the effectiveness of internal control. An effective Internal Audit function is a core part of the Authority's arrangements to ensure the proper conduct of its financial affairs. Internal Audit priorities are risk based and agreed with the Director of Finance and Resources, following consultation with the Chief Executive, Directors, Chief Officers and External Audit as part of the annual planning process.

The Chief Internal Auditor is authorised to complete a programme of audit reviews within the Authority. To assist in the accomplishment of this programme, the Financial Regulations of the Authority give authority for Internal Auditors to have full, free and unrestricted access to all Authority assets, records, documents, correspondence and personnel for the purposes of that audit. Recommendations arising from the work of both internal and external auditors are discussed and agreed with management, including acceptable timescales for their implementation. The Chief Auditor reports on the outcomes of the annual programme of audit work to management and Members, especially the Audit Committee. The Authority fully complies with the requirements and principles as set out in the CIPFA Standards for the Role of the Head of Internal Audit.

Standards Committee
The main role of the Standards Committee is to promote and maintain high standards of conduct throughout the Authority. It promotes, educates and supports Members in following the highest standards of conduct. The Committee also advises the Authority on the adoption and revision of the Code of Conduct for Members, monitors the operation of the Code of Conduct and receives regular reports in relation to Member training. Under legislation the Standards Committees have been given further powers, namely to assess and review complaints about Members which are now received directly by the Standards Committee and to conduct hearings into alleged misconduct after formal investigations.

Scrutiny Function
There are five Scrutiny Committees and their role is to provide a review and challenge of the Cabinet as well as to support the development of policies. They have wide ranging responsibilities including pre-decision scrutiny (influencing the development of strategies, policies and plans), post-decision scrutiny (scrutinising the appropriateness and effectiveness of strategies, policies and plans), service review (monitoring and evaluating the performance of services) and budget scrutiny (particularly focusing on efficiency and whether resources are linked to priorities). The committees meet regularly during the year and can set up time-limited working parties with specific terms of reference for in-depth investigations. The committees do not focus solely on Authority services - apart from the specific remit of the Health Scrutiny Committee to examine the work of internal and external health service providers, other scrutiny committees can undertake scrutiny of external bodies that provide local services. At their meetings they consider performance information that they use to challenge service performance. They also have a key role in reviewing and challenging the budget proposals prior to consideration at full Council.

Area Committees
There are seven Area Committees each covering the wards in their respective areas and they are able to make certain decisions on local issues. Area Committees allow local people to talk directly to local Councillors about issues in their area and also consult residents, local groups, organisations and businesses on a wide range of matters including its annual budget proposals. Area Committees may also refer matters of concern to the Cabinet for wider consideration.

External Audit
The Authority's External Auditor has an annual audit plan in place that is risk based and focuses on undertaking areas of work to enable them to carry out their duties in providing an opinion on the Authority's financial statements and whether or not we not we have appropriate arrangements in place to deliver value for money.

After the completion of the last audit plan, the Authority received an unqualified opinion on its statement of accounts and an unqualified value for money conclusion, providing further assurance of the arrangements that we have embedded within the organisation.

Governance and internal control issues requiring improvement
The AGS Management Working Group meets regularly to consider and assess the Authority's governance arrangements against the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. As part of their work, the group also reviewed the progress in addressing areas for improvement that had been previously identified within the Annual Governance Statement for 2009/10. These areas concerned:

- Contract Management
- Project Management
- Business Continuity
- Information Governance and Data Quality

There have been further improvements to these areas in 2010/11 and although good progress has been made these continue to be included in the overall action plan to ensure that the degree of progress is not lost and further improvements are delivered.

The action plan attached to this Statement has been compiled by management to address the above and also other emerging issues, following an assessment against the Corporate Governance framework "Delivering Good Governance". The areas as identified in the action plan do not represent serious governance or control issues but are included to ensure continuous improvement.

In reviewing the Authority's overall governance arrangements, the working group considered a wide range of policies, procedures and documents in order to identify any significant governance issues for which further developments and strengthening is required. The action plan will help to address these issues and the actions identified will be led and regularly reviewed by the Management Board. The action plan is predominantly intended to enable the Authority to respond to key legislative changes and challenges, for example, those arising from the Comprehensive Area Assessment.

Various minor areas for improvement were identified as part of the process for gathering assurance for the preparation of the Annual Governance Statement, such as reminding staff to complete registers for gifts, hospitality and declarations of interest, compliance with proper treatment of self employed status to meet tax regulations for engaging temporary workers and improving the compliance with the engagement and post evaluation reviews of consultants. However these relate to relatively minor operational issues and are not deemed significant to warrant inclusion in the Action Plan attached to this Statement.

We propose over the coming year to take steps to address the matters raised in this Statement to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed

……………………………………………………………….. **Leader of the Council**

……………………………………………………………….. **Chief Executive**

……………………………………………………………….. **Date**

Annual Governance Statement Action Plan

Number	Area to develop	Ongoing Action	Timescales	Lead Officer
1	Project management processes need to continue to be monitored so that they carry on being embedded across the Authority	Business critical projects are identified and monitored by Management Board. Directors are responsible for monitoring and challenging their own projects. An annual skills and processes 'health check' is undertaken and a lesson learned report presented to Management Board and Project Managers. Projects will be included within the Authority's performance management system (Corvu). An E-Learning module for Performance Management has been developed and training provided throughout the year.	Ongoing Ongoing	Pat Reynolds
2	Further work is needed to ensure there is a consistent, high quality approach in place in effectively managing our contracts	Strategic Procurement will continue to provide training to officers across the Authority who have contract management/monitoring responsibilities and training has been delivered to over 150 officers. Further training will be ongoing to meet identified demand. Once trained, officers have a clear understanding of the principles of contract management, are aware of best practice and have an increased awareness of how to identify and mitigate contract risks. The training encourages officers to regularly review, revise and control risks throughout the life of a contract. Service Areas are also required to undertake a risk assessment at the earliest stage of a contract tendering process. Corporate contract monitoring guidelines are available to all staff to be followed by all monitoring officers Service Areas' monitoring forms to be used to ensure compliance with the guidelines and to record sufficient information in order to help monitor each contract effectively. Also details of all contracts to be recorded on the Contracts Register to enable the Authority to have an overview of the contracts that it is engaged in. Strategic Procurement has also carried out Contractor Negotiation training to over 40 officers. This will enable officers to be better equipped when dealing directly with contractors in order to rectify problems and, when applicable, to negotiate cost. Further training will be ongoing to meet identified demand. Contract Standing Orders are due to be updated in July and to include a specific requirement to ensure appropriate contract monitoring.	Ongoing July 2011	Geoff Pearce

Number	Area to develop	Ongoing Action	Timescales	Lead Officer
3	Build upon the Authority's ability to respond to any incident that could impact upon its activities or disrupt service delivery.	Services to continue to review and test their business continuity arrangements. Counter Terrorist awareness training held for E&R Cluster Managers held in December 2010 and for staff in May 2011. Further training to be provided as appropriate. Corporate Business Continuity Planning Exercise to be held	Ongoing Ongoing November 2011	Simon Barry
4	Continue to improve the systems and processes across the Authority around ensuring compliance with good practice relating to information governance and data quality.	Following a review of our information governance arrangements by PA Consulting, a corporate Information Governance Board was formed in June 2010. The Board is chaired by the Chief ICT Officer and comprises senior representatives from each Cluster. These representatives have accountability within their cluster for Data Protection, Records Management, Freedom of Information, Information Security and Data quality. Directors and Chief Officers to ensure that good practice is followed as and when advised by the Information Governance Board. Directors and Chief Officers to establish processes to sign off their data following the introduction of Data share and the data transparency agenda. An E-learning module on data quality principles is to be developed. Checklists for good data quality processes are to be developed and disseminated.	Ongoing	Geoff Pearce
5	Continue to ensure compliance with the Equality Framework for Local Government.	Implement the necessary actions to work towards achieving the standard for "Excellence under the Equality Framework for Local Government.	Ongoing	John Powell
6	Arrangements to continue to be developed to ensure we robustly and consistently measure the environmental impact of relevant policies, plans and decisions	The Redbridge Environmental Action Plan (REAct) was adopted by Cabinet in December 2010 as the Borough's overarching environmental strategy. Sustainability comments are provided in Cabinet / Committee reports. REAct has priority environment / sustainability actions that will continue to be tracked. Any new sustainability indicators which may be announced after March 2011 will be monitored and adopted where necessary.	Ongoing July 2011	Simon Barry

Number	Area to develop	Ongoing Action	Timescales	Lead Officer
7	Ensure that single status is fully integrated into the Authority's terms and conditions	Cabinet delegated authority to consult with the trade unions in March 2010 Finalisation of proposals and presentation to Cabinet Consultation with trade unions and other key stakeholders Assessments of relevant jobs to be undertaken Finalisation of proposals and presentation Council Implementation of Single Status for relevant staff (backdated to agreed start date)	Completed Completed June 2011 June 2011 November 2011 January 2012	Geoff Pearce
8	Ensuring that risk management continues to be embedded into our operations.	Training via e-learning and face to face remains ongoing to ensure that there is comprehensive awareness of the need to ensure that risk management arrangements are embedded into partnerships and contracts. This includes specific fraud risk training, enhanced risk management training for risk champions and 80 individual e-learning training sessions. Regular monitoring of the GRACE risk management system identifies those partnerships and contracts where risk management arrangements need to be strengthened. Appropriate engagement with key partners to meet to drive forward the management of partnership risk at a strategic level. Feedback will be given via the regular Risk Management Updates.	Ongoing Ongoing Ongoing	Geoff Pearce
9	Continue to review the training requirements for Members.	Review training to Members as identified. Statutory training provided to all Members in respect of the Code of Conduct. Training provided to all Members necessary in respect of determination of Planning and Licensing applications in accordance with provisions in the Constitution which came into force on 1 November 2008. Training provided to co-opted Members of the Education Admissions and Exclusions Panels Training is kept under review by Standards Committee. In line with best practice the Members Development Corporate Panel has been established comprising Members of all Political Groups. Part of the Terms of Reference of the Panel are as follows:- "To develop an on-going Corporate Members development Programme". The Panel meets regularly in pursuance of its Terms of Reference.	As part of Standards Committee work programmes On-going	Simon Goodwin

Number	Area to develop	Ongoing Action	Timescales	Lead Officer
10	Building upon initiatives including Redbridge-i and the Redbridge Conversation, further work to progress and embed processes for engaging with the community continue to be developed, including receiving feedback on consultations.	The engagement capacity of Redbridge i and processes for embedding better engagement include: • Formal monitoring and scheduling of service area engagement programmes to identify where the Authority can work more efficiently and assess how service areas can be supported to undertake efficient and meaningful engagement. • Continue to meet the Council Leader programme. • Develop an effective, cost efficient approach to periodic market research using Redbridge i. • Organise borough wide outreach programmes to engage communities that are traditionally excluded by online consultation. • Developing an audience profiling system to identify how to communicate with groups whose opinions are seldom heard. • Further development of Redbridge I to allow users to create a personal account on the site.	March 2012	Pat Reynolds

Statement of Responsibilities

The Authority's Responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Finance and Resources;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the Statement of Accounts.

Chief Officer Responsibilities

Each Chief Officer is responsible for:

- maintaining effective financial controls and for securing the accuracy and integrity of financial information and systems operating within their department;
- complying with any procedural instructions issued by the Director of Finance and Resources; and
- preparing the Annual Governance Statement.

The Director of Finance and Resources Responsibilities

The Director of Finance and Resources is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code'), is required to give a true and fair view of the financial position of the Authority as at the 31 March 2011 and its income and expenditure for the year ending 31 March 2011.

In preparing this Statement of Accounts, the Director of Finance and Resources confirms that he has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Local Authority Code;
- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of the Director of Finance and Resources

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Authority at the 31 March 2011 and of its income and expenditure for the year ending 31 March 2011.

G. Pearce, BA, CPFA
Director of Finance and Resources
30 June 2011

Independent Auditor's Report to the Members of the London Borough of Redbridge

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Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce taxation) and other reserves. The Surplus and (Deficit) on the Provision of Service line shows the true economic cost of providing the Authority's service, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for the council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any transfers to or from earmarked reserves undertaken by the Authority.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2010	(14,639)	(64,675)	(2,397)	(3,041)	(3,489)	(2,672)	(10,512)	(101,425)	(431,787)	(533,212)
Movement in Reserves during 2010/11										
Surplus or (Deficit) on the provision of services	(94,814))	0	35,871	0	0	0	0	(58,943)	0	(58,943)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	9,393	9,393
Total Comprehensive Income and Expenditure	(94,814)	0	35,871	0	0	0	0	(58,943)	9,393	(49,550)
Adjustment between accounting basis and funding basis under regulations *(Note 7)*	86,938	0	(34,482)	0	1,057	2,672	1,621	57,806	(57,806)	0
Net Increase / Decrease before Transfers to Earmarked Reserves	(7,876)	0	1,389	0	1,057	2,672	1,621	(1,137)	(48,413)	(49,550)
Transfers to / From Earmarked Reserves *(Note 8)*	7,672	(7,672)	(1,418)	1,418	0	0	0	0	0	0
Increase / Decrease in 2010/11	(204)	(7,672)	(29)	1,418	1,057	2,672	1,621	(1,137)	(48,413)	(49,550)
Balance at 31 March 2011 carried forward	**(14,843)**	**(72,347)**	**(2,426)**	**(1,623)**	**(2,432)**	**(0)**	**(8,891)**	**(102,562)**	**(480,200)**	**(582,762)**

2009/10 Comparative Figures

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2009 carried forward	(12,466)	(54,472)	(1,870)	(1,897)	(7,745)	0	(10,482)	(88,932)	(419,350)	(508,282)
Movement in Reserves during 2009/10										
Surplus or (Deficit) on the provision of services	(22,045)	0	(8,492)	0	0	0	0	(30,537)	0	(30,537)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	5,607	5,607
Total Comprehensive Income and Expenditure	**(22,045)**	0	**(8,492)**	**0**	**0**	**0**	**0**	**(30,537)**	**5,607**	**(24,930)**
Adjustment between accounting basis and funding basis under regulations *(Note 7)*	9,669	0	6,821	0	4,256	(2,672)	(30)	18,044	(18,044)	0
Net Increase / Decrease before Transfers to Earmarked Reserves	(12,376)	0	(1,671)	0	4,256	(2,672)	(30)	(12,493)	(12,437)	(24,930)
Transfers to / From Earmarked Reserves *(Note 8)*	10,203	(10,203)	1,144	(1,144)	0	0	0	0	0	0
Increase / Decrease in Year	(2,173)	(10,203)	(527)	(1,144)	4,256	(2,672)	(30)	(12,493)	(12,437)	(24,930)
Balance at 31 March 2010 carried forward	**(14,639)**	**(64,675)**	**(2,397)**	**(3,041)**	**(3,489)**	**(2,672)**	**(10,512)**	**(101,425)**	**(431,787)**	**(533,212)**

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this can be is very different in some respects, from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2009/10					2010/11		
Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**		***Notes***	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
69,806	66,903	2,903	Central Services to the public		70,153	68,356	1,797
55,804	12,209	43,595	Cultural, environmental, regulatory and planning services		53,531	12,145	41,386
346,921	290,198	56,723	Education and children's services		378,737	332,412	46,325
30,422	12,884	17,538	Highways and transport services		33,636	14,718	18,918
19,151	23,511	(4,360)	Local Authority Housing (HRA)		62,092	23,828	38,264
188,278	180,419	7,859	Other Housing services		186,067	169,250	16,817
85,394	23,052	62,342	Adult Social Care		91,683	31,014	60,669
7,764	1,463	6,301	Corporate and democratic core		7,135	964	6,171
6,318	0	6,318	Non distributed costs		(65,241)	0	(65,241)
809,858	**610,639**	**199,219**	**Cost of Services**		**817,793**	**652,687**	**165,106**
11,619	1,490	10,129	Other operating expenditure		26,592	1,321	25,271
22,697	8,180	14,517	Financing and investment income and expenditure		40,547	28,415	12,132
		(254,402)	Taxation and non-specific grant income				(261,452)
		(30,537)	**(Surplus) or Deficit on provision of services**	***28***			**(58,943)**
		(95,321)	(Surplus) or deficit on revaluation of Non current assets	***24***			(712)
		100,928	Actuarial (gains) / losses on pension assets / liabilities	***24***			10,105
		5,607	**Other Comprehensive Income and Expenditure**				**9,393**
		(24,930)	**Total Comprehensive Income and Expenditure**				**(49,550)**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital and repay debt). The second category of reserves is those that the Authority is not able to use. This category of reserves include reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts could only be realised if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Restated 1 April 2009 £000	Restated 31 March 2010 £000		Notes	31 March 2011 £000
746,730	866,998	Property, Plant & Equipment	*12*	856,824
27,387	31,159	Investment Property	*14*	31,688
1,059	1,059	Intangible Assets	*15*	846
2,116	2,256	Long Term Investments	*16*	2,396
3,569	3,364	Long Term Debtors	*16*	3,342
780,861	**904,836**	**Long Term Assets**		**895,096**
0	0	Assets Held for Sale	*20*	100
81,885	57,093	Short Term Investments	*16*	82,933
240	161	Inventories	*17*	168
45,221	44,867	Short Term Debtors	*18*	41,866
0	18,346	Cash and Cash Equivalents	*19*	6,754
127,346	**120,467**	**Current Assets**		**131,821**
(2,365)	0	Cash and Cash Equivalents		0
(40,568)	(9,864)	Short Term Borrowing	*16*	(11,037)
(51,900)	(55,663)	Short Term Creditors	*21*	(63,250)
(4,741)	(7,236)	Grants / Contribution	*38*	(3,749)
(99,574)	**(72,763)**	**Current Liabilities**		**(78,036)**
(7,835)	(9,100)	Provisions	*22*	(10,258)
(93,057)	(103,092)	Long Term Borrowing	*16*	(112,307)
(2,677)	(5,424)	Capital Grants / Contributions	*38*	(5,437)
(196,782)	(301,712)	Other Long Term Liabilities	*16 & 49*	(238,117)
(300,351)	**(419,328)**	**Long Term Liabilities**		**(366,119)**
508,282	**533,212**	**Net Assets**		**582,762**
88,932	101,425	Usable Reserves	*23*	102,562
419,350	431,787	Unusable Reserves	*24*	480,200
508,282	**533,212**	**Total Reserves**		**582,762**

G. Pearce, BA, CPFA
Director of Finance and Resources
30 June 2011

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The Statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2009/10 £000			**2010/11 £000**
24,930	Net (surplus) or deficit on the provisions of services		49,550
41,340	Adjustments to net surplus or deficit on the provision of services for non- cash movements		62,816
18,901	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(92,486)
85,171	**Net cash flows from Operating Activities**	***(note 25)***	**19,880**
(43,931)	Investing Activities	***(note 26)***	(42,254)
(20,529)	Financing activities	***(note 27)***	10,782
20,711	**Net increase and decrease in cash and cash equivalents**		**(11,592)**
(2,365)	Cash and cash equivalents at the beginning of the reporting period	***(note 16)***	18,346
18,346	**Cash and cash equivalents at the end of the reporting period**	***(note 19)***	**6,754**

Notes to the Accounts

1. Statement of Accounting Policies

General
The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice (BVACOP) 2010/11, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Balances relating to the Pension Fund and other funds have been excluded. Additional accounting policies applicable to the Pension Fund are set out on pages 95 - 102

Accruals of Income and Expenditure
Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Cash and Cash Equivalents
Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are investments that having originally been invested for no longer than three months are repayable on demand or readily convertible to known amounts of cash with insignificant risk of change in value. Fixed term deposits, excluding overnight deposits, are not considered to be readily convertible since they only become repayable at the point of maturity and cannot be traded or redeemed without penalty. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

Exceptional Items
When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors
Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Charges to Revenue for Non-Current Assets
Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement that is equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. This provision is known as the Minimum Revenue Provision (MRP). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the MRP in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Employee Benefits

Benefits Payable during Employment
Short-term employee benefits are those due to be settled within 12 months of the year-end. They include benefits such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits
Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. The benefits are charged on an accruals basis to the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the Pension Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits
Employees of the Authority are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pensions Scheme, administered by The London Borough of Redbridge.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it was a defined

contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme
The Local Government Scheme is accounted for as a defined benefits scheme:

The liabilities of the London Borough of Redbridge Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate determined by the actuary. The discount rate is based on the indicative rate of return on asset outperformance.

The assets of the London Borough of Redbridge pension fund attributable to the Authority are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price.
- Unquoted securities – professional estimate.
- Unitised securities – current bid price.
- Property – market value.

The change in the net pension's liability is analysed into seven components:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return, credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.
- Contributions paid to the London Borough of Redbridge Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits
The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Events after the Balance Sheet Date
Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Financial Instruments

Financial Liabilities
Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid... The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets
Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables
Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The Authority has made a number of small loans which are categorised as soft loans. The transactions are not deemed material either individually or cumulatively at their carrying value.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and

Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets
Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:
- Instruments with quoted market prices – the market price.
- Other instruments with fixed and determinable payments – discounted cash flow analysis.
- Equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/ loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Government Grants and Contributions
Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contributions have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the

Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Area Based Grant
Area Based Grant (ABG) is a general grant allocated by Central Government directly to local authorities as additional revenue funding. ABG is non-ring fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Intangible Assets
Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Interests in Companies and Other Entities
The Authority has a material interest in Redbridge Homes Ltd and has classified this as a subsidiary. Accordingly group accounts are prepared.

The Authority annually reviews the extent to which other entities (over which the Authority has a material interest) need to be consolidated into the Group Accounts. In consolidating the accounts, all transactions and balances between the Authority and the subsidiary are eliminated in full.

Inventories and Long Term Contracts
Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

Investment Property
Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed

out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Leases
Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases
Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.
Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The Authority as Lessor

Finance Leases
Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases
Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Overheads and Support Services
The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

Property, Plant and Equipment
Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition
Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement
Assets are initially measured at cost, comprising:
- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:
- Infrastructure and community assets - depreciated historical cost.
- Assets under construction – historic cost

- Dwellings - fair value, determined using the basis of existing use value for social housing.
- All other assets - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV) except where the asset is specialised or no market exists for an asset when depreciated replacement cost (DRC) is used as an estimate of fair value; or a non property asset has a short useful life, low value, or both, where depreciated historical cost is used as a proxy for fair value

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment
Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation
Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Deprecation is calculated on the following bases:
- Dwellings and other buildings – straight line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment - straight-line basis over the useful life of the asset.
- Infrastructure - straight line basis over a 20 year period.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current depreciation charged and the depreciation that would have been chargeable based on the historic cost of the assets. The difference is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Component Accounting
IAS 16 – Property, Plant and Equipment (PP&E) sets out the requirements for separate component depreciation of PP&E assets that are significant in relation to the total asset cost.

The Authority will allocate the amount recognised in respect of an item of property, plant and equipment to its significant parts and depreciate separately each such part. For example, a property will be separated into its land and building component and depreciated separately.

A significant part of an item of PP&E may have a useful life and a depreciation method that are the same as the useful life and the depreciation method of another significant part of that same item. Such parts may be grouped in determining the depreciation charge.

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires all local authorities to establish an accounting policy for the componentisation of their assets and to apply that policy as assets are acquired, enhanced and revalued.

Authorities are required to implement component requirement prospectively with effect from 1 April 2010 and are applicable to:

- Enhancement expenditure incurred,
- Acquisition expenditure incurred, and
- Revaluation carried out

The Authority has adopted different component accounting policies for General Fund and HRA.

General Fund
The Authority will only consider assets with cost or fair value above £4 million for component depreciation and then will only separate components more than 20% of the individual asset for component depreciation.

HRA
The Authority will only consider HRA assets with cost or fair value above £250k for component depreciation and then will only separate components more than 20% of the individual asset for component depreciation.

Disposals and Non-current Assets Held for Sale
When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services.

Depreciation is not charged on Assets Held for Sale. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government.. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Private Finance Initiative (PFI) and Similar Contracts
PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement,
- Finance cost – an interest charge of 8.16% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement,
- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement,
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease),
- Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

Provisions, Contingent Liabilities and Contingent Assets

Provisions
Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For example if the Authority was to be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

Contingent Liabilities
A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets
A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Reserves
The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – the reasons for these reserves are explained in the relevant policies.

Revenue Expenditure Funded from Capital under Statute
Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

Value Added Tax (VAT)
Vat payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

2. Accounting Standard that have been issued but not yet been Adopted

The Authority has not adopted FRS30 in respect of accounting for Heritage Assets for the year ended 31 March 2011. The Code of Practice on Local Authority Accounting in the United Kingdom 2011/2012 (the Code) will introduce a change in accounting policy in relation to the treatment of heritage assets held by the Authority, which will need to be adopted fully by the Authority in the 2011/2012 financial statements.

FRS 30 – Heritage Assets sets out the requirements for separate disclosure of tangible assets with historical, artistic, scientific, technological, geophysical or environment qualities that is held and maintained principally for its contribution to knowledge and culture.

The Authority conducted a review of properties in the Authority's ownership as at June 2011 whether any may be considered as being a "Heritage Asset" to be recognised as a separate class of assets fro the first time in the 2011/12 Statement of Accounts.

The Authority does not hold significant heritage assets and therefore the Authority anticipates the adoption of FRS 30 will have a minimal impact in the 2011/12 Statement of Accounts.

3. First time adoption of IFRS

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

Short-term accumulating compensated absences
Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is holiday pay. Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Authority is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required. The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009/10 financial statements:

Opening Balance Sheet:- 1 April 2009

	2009/10 Statements £000	Adjustments Made £000
Creditors	(59,914)	(4,488)
Accumulated Absences Account	0	4,488

Balance Sheet:- 31 March 2010

	2009/10 Statements £000	Adjustments Made £000
Creditors	(65,805)	(5,508)
Accumulated Absences Account	0	5,508

Comprehensive Income and Expenditure Statement:- 2009/10
Cost of Services (Net)

Central services to the public	3,065	(82)
Cultural, environmental, regulatory and planning services	43,892	81
Education and children's services	53,467	983
Highways and transport services	15,825	26
Local authority housing (HRA)	(5,779)	0
Other housing services	6,806	(12)
Adult social care	61,566	62
Corporate and democratic core	6,335	(38)
Non distributed costs	6,318	0

Leases
Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease.

The Government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the Authority is the lessee) will be unchanged. Where the Authority is the lessor, the regulations allow the Authority to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

The Code requires authorities to review the classification of leases granted and taken to determine whether they should be treated as a finance lease or an operating lease. The Authority has identified numerous finance leases, including one as lessor.

This has resulted in the following changes being made to the 2009/2010 financial statements:

Opening Balance Sheet:- 1 April 2009

	2009/10 Statements £000	Adjustments Made £000
Property, plant and equipment	775,580	(404)
Finance lease liability	(14,893)	(849)
Long Term Debtors	1,775	1794
Capital Adjustment Account	45,466	372
Revaluation Reserve	426,620	169

Balance Sheet:- 31 March 2010

	2009/10 Statements £000	Adjustments Made £000
Property, plant and equipment	866,882	3,511
Finance lease liability	(14,657)	(3,731)
Long Term Debtors	1,585	1,779
Capital Adjustment Account	(401,479)	(1,559)

2009/10 Comprehensive Income and Expenditure Statement

Cost of Services (Net)	191,495	302
Financing and investment income and expenditure	6,299	49

Government grants
Under the Code, Grants and Contributions for capital schemes are recognised as Income when they become receivable. Previously, Grants were held in a Grants Deferred Account and recognised as Income over the life of the assets which they were used to fund.

Where a condition has yet to be satisfied, the grant or contribution is held in Capital Grants Receipts in Advance. Where no conditions exist, the grant or contribution is held in the Capital Grants Unapplied Account. Following its application to fund capital expenditure the grant is transferred to the Capital Adjustment Account.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.
- Portions of Government Grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- Grants received in 2009/10 but not used. Previously, no income was recognised in respect of such grants, which was shown in the Grants Unapplied Account within the Liabilities section of the Balance Sheet.

Following the change in accounting policy, grants have been recognised in full where no conditions apply, and transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet.

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening Balance Sheet:- 1 April 2009

	2009/10 Statements £000	Adjustments Made £000
Creditors, Contributions & Receipts in Advance	(59,914)	12,502
Grants/Contributions RIA	0	(4,741)
Unapplied Contributions	(8,069)	5,392
Government Grants and Capital Contribution Deferred	(131,788)	131,788
Capital Receipts Reserves	(24,104)	16,359
Earmarked (Revenue) reserves	(25,628)	(19,030)
Capital Contributions Unapplied	0	(4,834)
Capital Grants Unapplied	0	(5,648)
Capital Adjustment Account	(426,620)	(131,788)

Balance Sheet:- 31 March 2010

	2009/10 Statements £000	Adjustments Made £000
Short Term Creditors	(65,805)	15,651
Receipts in advance	0	(7,236)
Long Term Creditors	(9,391)	3,967
Government Grants and other Capital Contributions Deferred	(175,362)	175,362
Earmarked (Revenue) reserves	(27,197)	(26,421)
Capital Reserves	(26,496)	23,007
Major Repairs Reserve	(5,462)	1,545
Capital Grants Received in Advance	0	(4,169)
Capital Grants Unapplied	0	(6,344)
Capital Adjustments Accounts	(401,479)	(175,362)

2009/10 Comprehensive Income and Expenditure Statement

Net Cost of Services	191,495	8,306
Taxation and Non-Specific Grant Income	(203,628)	(50,774)
Levies	9,902	(24)

4. Critical Judgements in applying Accounting Polices

In applying the accounting policies set out in pages 27 to 37, the Authority has had to make certain judgments about complex transactions of those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision

- The Authority is deemed to control the services provided under the PFI contract with NV Schools for Redbridge to provide a secondary school, Oaks Park High School, and also to control the residual value of the homes at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the school (valued at £10.8 million) are recognised as Property, plant and Equipment on the Authority's Balance Sheet.

- The Authority is deemed to have a subsidiary relationship with Redbridge Homes Limited and can exert control of the organisation through the power to govern their financial and operating policies in order to maximise the benefits for the Authority. As such, Redbridge Homes has been consolidated into the Authority's Group Accounts.

5. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2011 for which there is significant risks of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	The Authority's Valuation Service estimates the useful economic lives of asset when assets are revalued. This is then used to calculate the annual depreciation charge. The revaluation process cannot take account of the detailed condition of every building revalued, given the large size, and diverse nature and age of the building stock, and the relatively small level of resources which can be allocated for this function.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. Annual depreciation amounts to around £27 million and the gross book value of fixed assets is £1082 million.
Provisions	**Insurance** The outcome of outstanding insurance claims is always very difficult to estimate, especially if a large number of unrelated cases go through the court system.	Certain claims, such as severe weather or environment issues, cannot be predicted far in advance and can have a significant impact. However, these are considered to be relatively infrequent and unlikely to have a significant financial impact on the Authority. In addition to the insurance provision that is held to meet existing claims, the Authority holds an Insurance Reserve of £2.8 million which is deemed adequate to meet any future potential claims.
Pensions Liability	Estimated of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirements ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension's liability of changes in individual's assumptions can be measured. However, the assumptions interact in complex ways. During 2010/11 the Authority's actuaries advised that the net pension's liability had decreased by £62 million.
Review of Leasing	The Authority has undertaken a detailed review of all aspects of leasing in line with the introduction of IFRS, as set out in note 3 above. However there is a small risk that there may be some financing arrangements that are embedded in certain contracts that have not been identified.	The reclassification of leases from operating to finance, or vice versa, will not affect the Authority's overall financial position, as mitigation procedures have been implemented by DCLG to prevent any impact on council tax.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

6. Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Director of Finance and Resources on 30 June 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2011 as they provide information that is relevant to an understanding of the Authority's financial position but do not relate to conditions at that date:

- On the 20 May 2011 all the services and around 400 staff in Culture Sports and Community Learning were transferred to the Leisure Trust, Vision-Redbridge Culture & Leisure (VRCL). The Authority entered into a funding agreement for ten years amounting to £11.8 million per annum. The majority of the assets relating to this Service have been transferred to VRCL under either lease or licence agreements.

7. Adjustment between Accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2010/11	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(23,651)					23,651
Revaluation losses on Property, Plant and Equipment	(8)	(38,031)				38,039
Movements in the market value of Investment Properties	(291)					291
Amortisation of intangible assets	(325)					325
Capital Grants and Contribution applied					49,625	(49,625)
Revenue expenditure funded from capital under statue	(4,745)					4,745
Amounts of non-assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	(14,403)					14,403
Statutory provision for the financing of capital investment	7,542					(7,542)
Capital expenditure charged against the General Fund and HRA balances	3,572	1,282				(4,854)
Capital Grants and Contributions Unapplied to the Comprehensive Income and Expenditure Statement:	46,279	1,725			(48,004)	0
Transfer of cash sale proceeds credited as part of the fain/loss on disposal to the Comprehensive Income and Expenditure Statement	551	550	(1,101)			0
Use of the Capital Receipts Reserve to finance new capital expenditure			1,664			(1,664)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(686)		686			0
Capital receipts received in respect of repayment of grants, advances and distributions	79	28	(107)			0
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals		(35)	35			0
Transfer from Deferred Capital Receipts Reserve upon receipts of cash			(120)			120
Transfer of deferred sale proceeds credits as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	142					(142)
Reversal of Major Repairs allowance				(3,972)		3,972
Use of the Major Reserve to finance new capital expenditure				6,644		(6,644)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	61					(61)
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	48,030	(16)				(48,014)
Employer's pensions contributions and direct payments to pensioners payable in the year	24,350	15				(24,365)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis in different from remuneration chargeable in the year in accordance with statutory requirements	441					(441)
Total Adjustments	**86,938**	**(34,482)**	**1,057**	**2,672**	**1,621**	**(57,806)**

2009/10 Comparative Figures

	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(21,052)					21,052
Revaluation losses on Property, Plant and Equipment	(17.697)					17,697
Movements in the market value of Investment Properties	3,268					(3,268)
Amortisation of intangible assets	(289)					289
Capital Grants and Contribution applied					50,744	(50,744)
Revenue expenditure funded from capital under statue	(6,720)					6,720
Amounts of non-assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	(339)					339
Statutory provision for the financing of capital investment	7,548					(7,548)
Capital Expenditure charges in-year to the General Fund and HRA balances	682					(682)
Capital Grants and Contributions Unapplied to the Comprehensive Income and Expenditure Statement:	46,869	3,905			(50,774)	0
Transfer of cash sale proceeds credited as part of the fain/loss on disposal to the Comprehensive Income and Expenditure Statement	113	157	(270)			0
Use of the Capital Receipts Reserve to finance new capital expenditure			4,374			(4,374)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(292)		292			0
Capital receipts received in respect of repayment of grants, advances and distributions		(17)	17			0
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals			(157)			157
Reversal of Major Repairs Allowance	43	106				(149)
Transfer to Major Repairs Reserve		2,672		(2,672)		0
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(91)					91
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(25,371)	(17)				25,388
Employer's pensions contributions and direct payments to pensioners payable in the year	24,017	15				(24,032)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis if different from remuneration chargeable in the year in accordance with statutory requirements	(1,020)					1,020
Total Adjustments	**9,669**	**6,821**	**4,256**	**(2,672)**	**(30)**	**(18,044)**

8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund HRA expenditure in 2010/11

	Balance at 1 April 2009 £000	Net Transfers 2009/10 £000	Balance at 31 March 2010 £000	Net Transfers 2010/11 £000	Balance at 31 March 2011 £000
General Fund:					
Capital Reserve	16,359	6,648	23,007	3,754	26,761
School Balances	10,748	2,105	12,853	1,444	14,297
Single Status Reserve	4,178	887	5,065	945	6,010
Repairs & Renewals Fund	4,168	230	4,398	572	4,970
Redundancy & Early Retirement Fund	140	118	258	4,025	4,283
Insurance Fund (Reserve)	3,584	(487)	3,097	(283)	2,814
Change Management Fund	2,277	(355)	1,922	(507)	1,415
Housing Benefit Balance	242	0	242	639	881
Concessionary Fares	0	879	879	0	879
IT Strategy Fund	351	(183)	168	685	853
Claybury Park Endowment	0	804	804	(31)	773
Building Maintenance Fund	481	123	604	128	732
Fairlop Gravel Reserve	542	32	574	115	689
Housing Bond Scheme	0	0	0	512	512
Area Committee Fund Balance	523	(137)	386	34	420
Oaks Park High School	4,588	194	4,782	(4,782)	0
Miscellaneous	4,229	(462)	3,767	231	3,998
	52,410	**10,396**	**62,806**	**7,481**	**70,287**
Revenue Grants Unapplied	2,062	(193)	1,869	191	2,060
TOTAL GENERAL FUND	**54,472**	**10,203**	**64,675**	**7,672**	**72,347**
Housing Revenue Account:	1,897	1,144	3,041	(1,418)	1,623
TOTAL	**56,369**	**11,347**	**67,716**	**6,254**	**73,970**

Purpose of Earmarked Reserves and Balances

The **Capital Reserve** has been established primarily to support the Capital Programme.

Schools Balances – are resources delegated to schools that will be used to fund future expenditure

The **Single Status Reserve** has been established to help meet the costs associated with equalising pay and conditions.

The **Renewals and Repairs Reserve** exists to enable resources to be set aside for the future replacement of equipment.

The **Redundancy and Early Retirement Fund** has been established to meet costs in respect of employee loss of office as a result of the requirements to restructure Authority run services

The **Insurance Reserve** is resources set aside to provide for unquantified insurance claims that may be settled in the future.

The **Change Management Fund** has been established to facilitate the promotion of innovation and efficiencies in the delivery of services across the Authority.

The **Housing Benefit Balance** relates to the fluctuation in respect of Housing Benefit and Council Tax benefit subsidy payments.

The **Concessionary Fare Reserve** has been established to smooth the impact of the expected rise in costs over the next two years.

The **IT Reserves** exists to fund the replacement and further development of the Authority's major computer systems.

The **Claybury Park Endowment Reserve** has been established following the receipt of developer contributions towards meeting the costs of maintaining the park.

The **Building Maintenance Reserve** exists to enable resources to be set aside for the maintenance and repairs to Authority Buildings (except Council Housing). This provides flexibility in dealing with urgent repairs and avoids fluctuations in the yearly charge to Revenue.

The **Fairlop Gravel Fund Reserve** has been established to equalise annual income throughout the term of the extraction period.

The **Housing Bond Scheme** has been established to help reduce the need to place residents in temporary accommodation

The **Redbridge Cycle Centre Reserve** has been established to maintain Hog Hill cycle track until 2013.

The **Area Committee Reserve** exists to enable resources to be carried forward to fund Area schemes in 2011/12.

The **PFI Reserve** in respect of Oaks Park High School PFI contract has been transferred to the Capital Reserve.

Other Funds and Balances are comprised of a number of smaller earmarked funds and balances including the Olympics fund and the environment development reserve.

9. Other Operating Expenditure

2009/10 £000		2010/11 £000
10,988	Levies	11,502
292	Payments to the Government Housing Capital Receipts Pool	686
116	(Gains)/losses on the disposal of non-current assets	13,083
(1,267)	VAT Refunds	0
10,129	**Total**	**25,271**

10. Financing and Investment Income and Expenditure

2009/10 £000		2010/11 £000
6,361	Interest payable and similar charges	6,884
14,740	Pensions interest cost and expected return on pensions assets	8,098
(1,838)	Interest receivables and similar income	(1,597)
(4,746)	Income and expenditure in relation to investment properties and changes in their fair value	(1,253)
14,517	**Total**	**12,132**

11. Taxation and Non Specific Grant Incomes

2009/10 £000		2010/11 £000
97,624	Council tax income	99,005
77,056	Non domestic rates	85,590
28,948	Non-ring fenced government grants	28,853
50,774	Capital grants and contributions	48,004
254,402	**Total**	**261,452**

12. Property, Plant and Equipment

Movements on Balances

Movements in 2010/11	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plants, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000	PFI Assets included in property, Plant and Equipment £000
Cost or Valuation									
At 1 April 2010	**298,507**	**530,192**	**55,419**	**113,488**	**13,076**	**3,520**	**50,158**	**1,064,360**	**12,650**
Additions	10,818	28,520	4,980	6,607	796	0	18,385	70,106	82
Donations	0	0	0	0	0	0	0	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	394	652	0	0	0	30	0	1,076	0
Revaluation increases / (decreases) recognised in the Surplus (Deficit) on the provisions of services	(37,001)	(1,424)	0	0	0	(15)0	0	(38,440)	0
De-recognition– Disposals	(251)	(446)	0	0	0	0	0	697	0
De-recognition– Other	0	(13,731)	(112)	0	0	0	0	13,843	0
Assets reclassified (to) / from held for sale	0	45,528	618	0	30	(771)	(46,192)	(787)	0
Other movements in cost of valuation	0	80	0	0	0	0	0	80	0
At 31 March 2011	**272,467**	**589,371**	**60,905**	**120,095**	**13,902**	**2,764**	**22,351**	**1,081,855**	**12,732**

Movements in 2010/11:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plants, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000	PFI Assets included in property, Plant and Equipment £000
Accumulated Depreciation and Impairment									
At 1 April 2010	**38,633**	**71,645**	**34,460**	**48,142**	**4,321**	**161**	**0**	**197,362**	**337**
Depreciation written out to the Revaluation Reserve	0	3,618	0	0	0	22	0	3,640	0
Depreciation written out to the surplus/deficit on the provisions of services	3,972	7,954	5,979	5,501	592	54	0	24,052	327
Depreciation charge	**3,972**	**11,572**	**5,979**	**5,501**	**592**	**76**	**0**	**27,692**	**327**
Impairment losses/(reversible) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment losses/(reversible) recognised in the Surplus/Deficit on the provision of services	0	0	0	0	0	0	0	0	0
De-recognition– Disposals	0	0	0	0	0	0	0	0	0
De-recognition– Other	0	(10)	0	0	0	0	0	(10)	0
Other movements in depreciation and impairment	0	(148)	135	0	0	0	0	(13)	0
At 31 March 2011	**42,605**	**83,059**	**40,574**	**53,643**	**4,913**	**237**	**0**	**225,031**	**664**
Net Book value									
At 31 March 2010	**259,874**	**458,548**	**20,959**	**65,346**	**8,755**	**3,358**	**50,158**	**866,998**	**12,313**
At 31 March 2011	**229,862**	**506,312**	**20,331**	**66,452**	**8,989**	**2,527**	**22,351**	**856,824**	**12,068**

Comparative Movements in 2009/10

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plants, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets under Construction £000	Total Property, Plant and Equipment £000	PFI Assets included in property, Plant and Equipment £000
Cost or Valuation									
At 1 April 2009	**293,473**	**443,321**	**43,681**	**107,740**	**11,762**	**2,557**	**20,474**	**923,008**	**13,268**
Additions	5,122	12,394	6,379	5,748	1,314	0	32,587	63,544	0
Donations	0	0	0	0	0	0	0	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	76,890	0	0	0	(250)	0	76,640	0
Revaluation increases / (decreases) recognised in the Surplus (Deficit) on the provisions of services	0	0	0	0	0	0	0	0	(618)
Dereccognition– Disposals	88	0	0	0	0	0	0	88	0
Dereccognition– Other	0	1,428	0	0	0	0	0	1,428	0
Assets reclassified (to) / from held for sale	0	1,130	5,610	0	0	1,240	(2,903)	5,391	0
Other movements in cost of valuation	0	145	(251)	0	0	(27)	0	(2,689)	0
At 31 March 2010	**298,507**	**530,192**	**55,419**	**113,488**	**13,076**	**3,520**	**50,158**	**1,064,378**	**12,650**
Accumulated Depreciation and Impairment									
At 1 April 2009	**34,816**	**60,739**	**29,340**	**42,971**	**3,783**	**82**	**0**	**171,731**	**0**
Depreciation written out to the Revaluation Reserve	0	3,819	0	0	0	0	0	3,819	0
Depreciation written out to the surplus/deficit on the provisions of services	3,817	7,236	4,362	5,171	538	1	0	21,125	337
Depreciation charge	**3,817**	**11,055**	**4,362**	**5,171**	**538**	**1**	**0**	**24,944**	**337**
Impairment losses/(reversible) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment losses/(reversible) recognised in the Surplus/Deficit on the provision of services	0	0	0	0	0	0	0	0	0
Dereccognition– Disposals	0	0	0	0	0	0	0	0	0
Dereccognition– Other	0	(87)	0	0	0	0	0	(87)	0
Other movements in depreciation and impairment	0	(62)	758	0	0	78	0	774	0
At 31 March 2010	**38,633**	**71,645**	**34,460**	**48,142**	**4,321**	**161**	**0**	**197,362**	**337**

Capital Commitments

As at the 31 March 2011, the Authority was committed to a number of major capital projects, which are due for completion over the next three financial years. The outstanding commitment is approximately £32.7 million of which £4.3 million will be funded from external resources (£28.4 million and £7.2 million respectively for 2009/10). The projects are analysed as follows:

	2010/11 £'000	Year of Completion
BSF - Loxford	1,104	2011/12
Farnham Green Primary	721	2011/12
Hainault Forest High	694	2011/12
Goodmayes School Extension	164	2011/12
Churchfields Junior School	2,643	2012/13
Academy New School	27,375	2013/14
Total	**32,701**	

Revaluations

The Freehold and Leasehold properties, which comprise the Authority's property portfolio, are valued on a five-year rolling basis by its Appointed Contractors, Wilks Head and Eve. Valuations have been made in accordance with the RICS Appraisal and Valuation Standards published by the Royal Institution of Chartered Surveyors, except those not considered by the valuer to be necessary for the purposes of the valuation. Plant and Machinery that are normally associated with a building, such as lifts, have been reflected in the valuation.

Properties regarded by the Authority as operational are valued on an Existing Use Value basis. Where these methods could not be utilised, due to a lack of suitable market evidence or if the property was of a specialised nature, then a Depreciated Replacement Cost basis of valuation was adopted, in accordance with the relevant professional guidance applicable as at the valuation date.

Properties regarded by the Authority as non-operational have been valued on a Market Value basis in accordance with the relevant professional guidance applicable at the valuation date.

Properties regarded by the Authority as being either Community Assets or Infrastructure Assets have not been valued as part of this Asset Valuation exercise.

The following statement shows the progress of the Authority's rolling programme for the revaluation of fixed assets. The valuations are carried out by Wilks Head and Eve, Chartered Surveyors and Town Planners (external). The basis for valuation is set out in the statement of accounting policies.

	Council Dwelling £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Surplus Assets £000	Assets under construction £000	Total £000
Carried at historical cost	**0**	**0**	**20,331**	**0**	**22,351**	**42,682**
Valued at fair value as at:						
31 March 2011	**229,862**	**506,312**	**0**	**2,527**	**0**	**738,701**
31 March 2010	259,874	458,547	0	3,359	0	721,780
31 March 2009	258,657	382,582	0	2,475	0	643,714
31 March 2008	306,304	0	0	0	0	306,304
31 March 2007	291,070	0	0	0	0	291,070
Total Historic Cost and Current Value	**292,862**	**506,312**	**20,331**	**2,527**	**22,351**	**781,383**

13. Information on Assets Held

Fixed Assets owned by the Authority include the following:

Number as at 31 March 2010		Number as at 31 March 2011
4,691	**Council Dwellings**	4,687
	Operational Buildings	
1	Town Hall	1
7	Other Offices	7
6	Adult Social Services Homes and Hostels	6
9	Adult Social Services Day Centres	9
3	Adult Social Services Other/Offices	3
2	Children's Trust Homes and Hostels	2
7	Children's Trust Day Centres	7
1	Children's Trust Other/Offices	1
1	Sports Centres	1
1	Swimming Pools	1
11	Libraries	11
37	Primary Schools	37
11	Secondary Schools	11
4	Special Schools	4
1	Depots	1
18	Surface Car Parks	18
1	Multi-storey Car Parks	1
5	Cemeteries	5
2	Hall and Theatre	2
	Infrastructure Assets	
527	Highways (km)	529
23	Bridges	22
6	Subways	6
21,244	Street Lights	20,965
	Community Assets	
815 hectares	Parks, Open Spaces and Country Parks	815 hectares
137 hectares	Allotments and Golf Courses	137 hectares
	Non Operational Assets	
137	Investment Properties	137
9	Surplus Assets held for Disposal	9
2	Properties for Development	2

14. Investment Properties

The following items of income and expense have been accounted for in the financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2009/10 £000	2010/11 £000
Rental income from investment property	1,525	1,588
Direct operating expenses arising from investment property	(47)	(44)
Net gain/(loss)	**1,478**	**1,544**

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchases, construct or develop investment property or repairs, maintenance or enhancement.

The following table summaries the movement in the fair value of investment properties over the year:

	2009/10 £000	2010/11 £000
Balance at start of the year	23,255	31,159
Additions:		
• Subsequent expenditure	854	92
Net gains/losses from fair value adjustments	4,139	(270)
Transfers:		
• To/from Property, Plant and Equipment	2,911	707
Balance at end of the year	**31,159**	**31,688**

15. Intangible Assets

The Authority accounts for its software as intangible asserts, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant, and Equipment. The intangible assets are all purchased software licences.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the software licences used by the Authority is 5 years.

The carrying amount of intangible assets is amortised on a straight-line basis

.

The movement on Intangible Asset balances during the year is as follows:

	2009/10 Total £000	2010/11 Total £000
Balance at start of year:		
• Gross carrying amounts	1,411	1,700
• Accumulated amortisation	(351)	(641)
Net carrying amount at start of year	1,060	1,059
Additions:		
• Purchases	289	112
Amortisation for the period	(290)	(325)
Net carrying amount at end of year	**1,059**	**846**
Comprising:		
• Gross carrying amounts	1,700	1,812
• Accumulated amortisation	(641)	(966)
	1,059	**846**

16. Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet.

	Long-Term		Current	
	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000
Investments				
Cash and Cash Equivalents	0	0	18,346	6,754
Loans and receivables	2,256	2,396	57,093	82,933
Other Long Term Debtors	3,364	3,342	0	0
Total Investments	**5,620**	**5,738**	**75,439**	**89,687**
Borrowings				
Financial liabilities at amortised cost - PWLB	67,688	76,975	9,864	11,037
- Market Loans	35,367	35,299	0	0
Other Long Term Liabilities	37	33	0	0
Total Borrowings	**103,092**	**112,307**	**9,864**	**11,037**
Finance lease liabilities	1,779	2,665		
PFI liabilities	18,388	14,402		
Total other long term liabilities	**20,167**	**17,067**		
Creditors				
Financial liabilities at amortised cost	0	0	55,663	63,250
Total Creditors	**0**	**0**	**55,663**	**63,250**

Income, Expense, Gains and Losses

	Financial Liabilities	Financial Assets Loans and Receivables	Total	Financial Liabilities	Financial Assets Loans and Receivables	Total
	2009/10	2009/10	2009/10	2010/11	2010/11	2010/11
	£'000	£'000	£'000	£'000	£'000	£'000
Interest Payable and similar charges	6,361	0	6,361	6,884	0	6,884
Interest and Investment Income	0	(1,838)	(1,838)	0	(1,597)	(1,597)
Net Gain/(Loss) for the Year	**6,361**	**(1,838)**	**4,523**	**6,884**	**(1,597)**	**5,287**

Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, assuming the following assumptions:

- Estimated ranges of interest rates at 31 March 2011 of 2.89% to 7.00% for loans from the PWLB and 3.76% to 4.45% for market loans.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.

The fair values calculated are as follows:

	31 March 2010 Carrying amount £000	31 March 2010 Fair Value £000	31 March 2011 Carrying amount £000	31 March 2011 Fair Value £000
Financial Liabilities – PWLB - Maturity	77,552	78,890	88,012	88,395
Market Loans	35,367	34,179	35,299	32,145
Total	**112,919**	**113,069**	**123,311**	**120,540**

	31 March 2010 Carrying amount £000	31 March 2010 Fair Value £000	31 March 2011 Carrying amount £000	31 March 2011 Fair Value £000
Loans and Receivables	77,695	82,324	92,083	92,297
Long-term debtors	3,364	3,364	3,342	3,342
Total	**81,059**	**85,688**	**95,425**	**95,639**

As at 31 March 2011, the financial assets and liabilities fair value did not vary materially from the carrying value (book value).

The Authority has identified the following which may be categorised as soft loans (less than market rates):

Description	**Debt outstanding 31/03/10 £'000**	**Debt outstanding 31/03/11 £'000**
Social Services – High Dependency Accommodation debtors	526	309
Car Loans	295	218

These transactions are not considered material either individually or cumulatively and are included in the Accounts at their carrying value.

The Authority holds Collateral in relation to the following loans:

Description	**Debt outstanding 31/03/10 £'000**	**Debt outstanding 31/03/11 £'000**
Mortgages	730	610
Social Services - High Dependency accommodation.	2,111	2,291

The Authority has pledged no collateral in respect of repayment of any loan to another entity.

As at 31 March 2011 the Authority had not entered into any financial guarantees.

17. Inventories

	Postal Franking & Postages £'000	**Maintenance Materials £'000**	**Client Services work in progress £'000**	**Total £'000**
Balance outstanding at start of year	19	132	10	**161**
Purchases	155	251	39	**445**
Recognised as an expense in the year	(169)	(243)	(26)	**(438)**
Balance outstanding at year end	**5**	**140**	**23**	**168**

18. Debtors

	Restated 31 March 2010 £000	31 March 2011 £000
Central Government Bodies	8,944	8,420
Other Local Authorities	3,805	3,546
NHS bodies	736	2,868
Public corporations and trading funds	176	199
Other Debtors		
Council Tax payers	15,296	16,866
Housing Tenants	8,992	9,446
Housing Benefit Recoveries	5,440	6,499
VAT	3,548	3,771
Payment in Advance	2,619	3,126
Sundry Debtors	21,018	17,051
Bad Debts Provision	(25,707)	(29,926)
Total	**44,867**	**41,866**

19. Cash and Cash Equivalent

The Balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2010 £000		31 March 2011 £000
21,800	Short Term Deposits	15,999
(3,454)	Bank Overdraft	(9,245)
18,346	**Total Cash and Cash Equivalents**	**6,754**

20. Assets Held for Sale

	Current 2009/10 £000	Current 2010/11 £000
Balance outstanding at start of year	0	0
Assets newly classified as held for sale:		
• Property, Plant and Equipment	0	100
• Intangible Assets	0	0
• Other assets / liabilities in disposal groups	0	0
Revaluation losses	0	0
Revaluation gains	0	0
Impairment Losses	0	0
Assets declassified as held for sale:		
• Property, Plant and Equipment	0	0
• Intangible Assets	0	0
• Other assets / liabilities in disposal groups	0	0
Assets sold	0	0
Transfers from non-current to current	0	0
(other movements)	0	0
Balance outstanding at year end	**0**	**100**

21. Creditors

	31 March 2010 £000	31 March 2011 £000
Central Government Bodies	1,940	3,788
Other Local Authorities	2,501	2,706
Public corporations	432	185
Other Creditors		
Capital Creditors	6,322	5.631
Trade Creditors	1,631	7,921
Deposits	83	65
Employee Benefits	5,508	5,067
S106 Receipts	347	370
Other Creditors	29,244	30,441
General Receipts in Advance	3,273	2,605
Housing Prepayments	1,193	1,292
Council Tax Prepayments	3,189	3,179
Total	**55,663**	**63,250**

22. Provisions

	Insurance Provision £000	Taxation Provision £000	Redundancy & Early Retirement Provision £000	Section 117 Provision £000	Other Provisions £000	Total £000
Balance at 1 April 2010	7,733	800	293	200	74	**9,100**
Amounts used in 2010/11	(1,921)	0	(293)	0	0	**(2.214)**
Unused amounts reversed in 2010/11	0	(800)	0	0	0	**(800)**
Subtotal	*5,812*	*0*	*0*	*200*	*74*	***6,086***
Additional Provision made in 2010/11	3,394	0	570	0	208	**4,172**
Balance at 31 March 2011	**9,206**	**0**	**570**	**200**	**282**	**10,258**

Purpose

Insurance Provision The Authority maintains an insurance provision to cover the retained element of risk for various areas. This includes public and employer's liability, theft, education property damage and tree root damage. The remaining risks are transferred through cover provided by policies with insurance companies. The Authority's insurance actuarial advisers, Jardine Lloyd Thompson, have advised that the provisional value of expected settlements relating to liability, together with actual property claims notified but not yet settled, amount to £9.2 million.

The sum of £2.8 million has been set aside for unquantified insurance claims. This amount together with an amount of £0.1 million set aside for risk management make up the insurance reserve of £2.9 million. The insurance reserve is included in Earmarked Revenue Reserve (see note 8).

Redundancy and Early Retirement Provision This has been established to meet payments relating to employee redundancy and retirements granted.

Section 117 Provision This has been established for reimbursements to be made in respect of certain accommodation costs charged in the past.

Other Provisions Relate to £75,000 for a legal case brought under the Housing Defects Act 1948, £74,000 for potential costs to be levied on the Authority by the LPFA, £68,000 for contract termination costs and £65,000 for potential repair costs to Chigwell Road Bridge.

23. Usable Reserves

Movements in the Authority's usable reserves are detailed in the movement in Reserves Statement and Note 8.

24. Unusable Reserves

31 March 2010 £000		31 March 2011 £000
137,175	Revaluation Reserve	127,062
(283,324)	Pensions Reserve	(221,050)
583,229	Capital Adjustment Account	578,957
512	Deferred Capital Receipts	534
(297)	Financial Instruments Adjustment Account	(236)
(5,508)	Accumulated Absences Account	(5,067)
431,787	**Total Unusable Reserves**	**480,200**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment (and intangible assets). The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2009/10 £000			2010/11 £000
45,457	**Balance at 1 April**		**137,175**
95,321	Upwards revaluation of assets	1,494	
0	Downward revaluation of assets and impairment losses not charged to the Surplus / Deficit on the Provision of Services	(782)	
95,321	Surplus or Deficit on revaluation of non current assets not posted to the Surplus or Deficit on the Provision of Services		712
(3,815)	Difference between fair value depreciation and historical cost depreciation		(3,645)
0	Accumulated gains on assets sold or scrapped		(6,818)
212	Revaluation adjustments as a result of reclassification		(362)
137,175	**Balance at 31 March**		**127,062**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing difference arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisitions, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised in donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2009/10 £000			2010/11 £000
558,958	**Balance at 1 April**		**583,229**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
(21,444)	• Charges for depreciation and impairment of non current assets	(23,892)	
(17,697)	• Revaluation losses on Property, Plant and Equipment	(38,039)	
(289)	• Amortisation of intangible assets	(325)	
(6,720)	• Revenue expenditure funded from capital under statute	(4,745)	
(339)	• Amounts of non current assets written off on disposal or sale as part of the gain / loss on disposal to the Comprehensive Income and Expenditure Statement	(14,330)	
(46,489)			**(81,331)**
0	Adjusting amounts written out of the Revaluation Reserve		6,906
(46,489)	**Net written out amount of the cost of non-current assets consumed in the year**		**(74,425)**
	Capital financing applied in the year:		
4,374	• Use of the Capital Receipts Reserve to finance new capital expenditure	1,664	
0	• Use of the Major Repairs to finance new capital expenditure	4,032	
54,887	• Application of grants to capital financing from the Capital Grants Unapplied Account	52,352	
7,548	• Statutory provisions for the financing of capital investment charged against the General Fund and HRA Balances	7,542	
682	• Capital expenditure charged against the General Fund and HRA balances	4,854	
67,491			**70,444**
3,269	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(291)
583,229	**Balance at 31 March**		**578,957**

Financial Instruments Adjustment Account

The accounts provides a balancing mechanism between the statutory valuation and accounting requirements in respect of interest payable on staggered rate loans, where the interest payable is smoothed over the term of the loan, and discounts received on early repayment of PWLB loans, which are amortised over a number of years to the Income and Expenditure Account. The resulting difference is reflected in the Financial instruments Adjustment Account.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact of the General Fund Balance to the spread over future years. The Authority spreads the gain or loss over the term that was remaining on the loan when it is repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charged required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account.

2009/10 £000			2010/11 £000
(206)	**Balance at 1 April**		**(297)**
(83)	Interest adjustment on staggered rate loans	69	
(8)	Proportion of premiums incurred in previous financial years	(8)	
(91)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		61
(297)	**Balance at 31 March**		**(236)**

Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employed benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensue that funding will have been set aside by the time the benefits come to be paid.

2009/10 £000		2010/11 £000
(181,040)	**Balance at 1 April**	**(283,324)**
(100,928)	Actuarial gains or losses on pensions assets and liabilities	(10,105)
(25,388)	Reversal of items relating to reti rement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	48,014
24,032	Employer's pensions contributions an d direct payments to pensionable payable in the year	24,365
(283,324)	**Balance at 31 March**	**(221,050)**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlements has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2009/10 £000		2010/11 £000
669	**Balance at 1 April**	**512**
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	142
(157)	Transfer to the Capital Receipts Reserve upon receipt of cash	(120)
512	**Balance at 31 March**	**534**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise in the General Fund Balance from accruing for compensated absence earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2009/10 £000			2010/11 £000
(4,488)	**Balance at 1 April**		**(5,508)**
4,488	Settlement or Cancellation of accrual made at the end of the preceding year	5,508	
(5,508)	Amounts accrued at the end of the current year	(5,067)	
(1,020)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in the year in accordance with statutory requirements		441
(5,508)	**Balance at 31 March**		**(5,067)**

25. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2009/10 £000		2010/11 £000
	The cash flows for operating activities include the following items	
24,930	Net(Surplus) or Deficit on the provision of services	49,550
41,340	Adjustments to net surplus or deficit on the provision of services for non cash movements	62,817
	Cash outflows	
(6,182)	Interest Paid	(6,690)
(49)	Interest element of finance lease rental payment	(194)
(282)	Management of liquid resources	0
140	(Loss)/Gain on sale of fixed assets	0
(6,721)	Items that appear elsewhere in the cash flow statement	(4,857)
	Cash inflows	
4,278	Interest received	1,597
11,064	Other Non-cash transactions/internal transfers	(78,601)
1,356	Adjustment to pension costs for FRS17	(10,104)
10,163	Increase/(decrease) in creditors	7,587
132	(Increase)/decrease in payments in advance	(507)
79	(Increase)/decrease in stock and work in progress	(7)
4,923	(Increase)/decrease in debtors	(711)
85,171		**19,880**

26. Cash Flow Statement – Investing Activities

2009/10 £000		2010/11 £000
(68,907)	Purchase of property, plant and equipment, investment property and intangible assets	(68,159)
0	Purchase of short term and long term investments	(140)
199	Proceeds form he sale of property, plant, equipment, investment property and intangible assets	1,154
22,100	Proceeds from short term and long term investments	(25,840)
2,677	Other receipts investing activities	50,731
(43,931)	**Net cash flows from investing activities**	**(42,254)**

27. Cash Flow Statement – Financing Activities

2009/10 £000		2010/11 £000
16,000	Cash Receipts of short term and long term borrowing	15,000
210	Other receipts from financing activities	139
(235)	Cash payments for the reduction of the outstanding liabilities relating to the finance leases on balance sheet PFI contracts	255
(36,504)	Repayments of short term and long term borrowing	(4,612)
(20,529)	**Net cash flows from financing activities**	**10,782**

28. Amounts reported for resource allocation decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Best Value Accounting Code of Practice.* However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across clusters. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)

- The cost of retirement benefits is based on cash flows (payment of employer's pension's contributions) rather than current service cost of benefits accrued in the year.

- Expenditure on some support services is budgeted for centrally and not charged to clusters.

The income and expenditure of the Authority's principal clusters recorded in the budget reports for the year is as follows:

Cluster Income and Expenditure 2010/11	**Children's Services £000**	**Adult Social Services & Housing £000**	**Environment & Community Services £000**	**Finance & Resources £000**	**CEO, Legal & Constitutional Services £000**	**Total £000**
Fees, charges & other service income	(59,838)	(74,254)	(56,460)	(188,109)	(4,471)	(383,132)
Government grants	(267,523)	(1,878)	(5,976)	(414)	(133)	(275,924)
Total Income	**(327,361)**	**(76,132)**	**(62,436)**	**(188,523)**	**(4,604)**	**(659,056)**
Employee expenses	215,560	25,091	39,614	21,047	4,322	305,634
Other services expenses	160,848	119,537	57,636	174,458	2,291	514,770
Support services recharges	10,605	8,163	16,425	5,903	2,108	43,204
Total Expenditure	**387,013**	**154,791**	**113,675**	**201,408**	**8,721**	**863,608**
Net Expenditure	**59,652**	**76,659**	**51,239**	**12,285**	**4,117**	**204,552**

Reconciliation of Cluster Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statements

This reconciliation shows how the figures in the analysis of cluster income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2009/10 £000	**2010/11 £000**
Net expenditure in the Cluster Analysis	196,812	204,552
Net expenditure of services and support services not included in the Analysis	(2,705)	1,197
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	5,112	(40,643)
Cost of Services in Comprehensive Income and Expenditure Statement	**199,219**	**165,106**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of cluster income and expenditure relate to a subjective analysis of the Surplus or Deficit on the provision of services included in the Comprehensive Income and Expenditure Statement.

2010/11

	Cluster Analysis	Services and Support Services not in Analysis	Amounts not reported to Management for decision making	Amounts not included	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(383,132)		(25,894)	(11,269)	43,532	(376,763)		(376,761)
Surplus or Deficit on associates and joint ventures								
Interest and investment income							(3,185)	(3,185)
Income from council tax							(99,005)	(99,005)
Government grants and contribution	(275,924)					(275,924)	(162,447)	(438,371)
Total Income	**(659,056)**	**0**	**(25,894)**	**(11,269)**	**43,532**	**(652,685)**	**(264,637)**	**(917,324)**
Employee expenses	305,634		(224)			305,410		305,410
Other service expenses	514,770	1,197	(14,886)	11,269		512,350	(35)	512,315
Support services recharges	43,204		328		(43,532)	0		0
Depreciation, amortisation and impairment			33			33	291	324
Interest payments							14,982	14,982
Precepts and Levies							11,502	11,502
Payments to Housing Capital Receipts Pool							686	686
Gain or Loss in Disposal of Fixed Assets							13,162	13,162
Total Expenditure	**863,608**	**1,197**	**(14,749)**	**11,269**	**(43,532)**	**817,793**	**49,588**	**858,381**
Surplus or deficit in the provision of services	**204,552**	**1,197**	**(40,643)**	**0**	**0**	**165,106**	**(224,049)**	**(58,943)**

2009/10
Comparative Figures

	Cluster Analysis	Services and Support Services not in Analysis	Amounts not reported to Management for decision making	Amounts not included	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(352,344)	(23,511)	(5,949)	(7,273)	44,525	344,595	(1,267)	(345,862)
Interest and investment income							(6,424)	(6,424)
Income from council tax							(97,624)	(97,624)
Government grants and contribution	(273,047)			7,003		(266,044)	(156,889)	(422,933)
Total Income	**(625,391)**	**(23,511)**	**(5,949)**	**(270)**	**44,525**	**(610,639)**	**(262,204)**	**(872,843)**
Employee expenses	301,990	423	1,020			303,433		303,433
Other service expenses	475,974	20,097	(14,108)	7,016		488,979	14,716	503,695
Support services recharges	44,239	286			(44,525)	0		0
Depreciation, amortisation and impairment			17,446			17,446		17,446
Interest payments							6,312	6,312
Precepts and Levies							10,988	10,988
Payments to Housing Capital Receipts Pool							292	292
Gain or Loss in Disposal of Fixed Assets							(140)	(140)
Total Expenditure	**822,203**	**20,655**	**3,338**	**7,016**	**(44,525)**	**809,858**	**32,188**	**842,306**
Surplus or deficit in the provision of services	**196,812**	**(2,705)**	**(2,654)**	**6,746**	**0**	**199,219**	**(233,989)**	**(30,537)**

29. Internal Trading Operations

With the abolition of Compulsory Competitive Tendering from January 2000, a number of former Direct Service Organisations have continued to operate internal trading accounts. Any surpluses or deficits arising from trading account activities are transferred to the General Fund.

		2009 / 10 £000	£000	2010 / 11 £000	£000
Conveniences Public convenience team are responsible for opening and closing, servicing and maintaining nine public conveniences and a further two owned by Leisure Services. Additional services provided are cleaning of facilities in allotments and some car parks. Cumulative deficit over last three financial years: £26,000	Turnover	572		478	
	Expenditure	(572)		(478)	
	Surplus/(Deficit)		0		0
Grounds Maintenance Grounds Maintenance team are responsible for both grounds maintenance within parts of the borough and arboriculture services for the whole borough. Additional services provided are floral decorations. Landscaping and a skip service. Cumulative deficit over last three financial years: £265,000	Turnover	1,313		1,166	
	Expenditure	(1,341)		(1,241)	
	Surplus/(Deficit)		(28)		(75)
Civic Catering Staff and Civic Catering team are responsible for the provision of routine refreshments and canteen services to members, visitors and staff. Cumulative deficit over last three financial years: £58,000	Turnover	657		548	
	Expenditure	(657)		(576)	
	Surplus/(Deficit)		0		(28)
Street Cleansing Street Cleansing team is responsible for sweeping all the Authority's roads, emptying of litter bins and removal of fly tipping. Cumulative deficit over last three financial years: £88,000	Turnover	4,475		4,387	
	Expenditure	(4,475)		(4,387)	
	Surplus/(Deficit)		0		0
Transport Transport Services provides the Authority's transport needs, both passengers and goods. It consists of vehicles workshop which repairs and maintains a fleet of vehicles. The services are also offered to external clients in terms of private vehicle hire, maintenance and repair services. Cumulative deficit over last three financial years: £15,000	Turnover	8,507		8,259	
	Expenditure	(8,493)		(8,105)	
	Surplus/(Deficit)		14		154
Total			**(14)**		**51**

30. Agency Services

East London Waste Authority (ELWA)

The Authority provides financial services to the East London Waste Authority (ELWA) for which it is reimbursed by way of a management fee.

	2009/10 £000	2010/11 £000
Service Level Agreement	178	180

NNDR

The Authority collects NNDR on behalf of the Government. Details of these arrangements are detailed in the Collection Fund at page 93.

Business Rate Supplement (BRS)

Under the arrangements for the Business Rate Supplement, the Authority collects a supplement for its area based on local rateable values. The total amount less certain deductions, are paid to the Greater London Authority on whose behalf it is collected. 2010/11 is the first year in which the Business Rate Supplement has been payable.

	2010/11 £000
Instalments paid to the Greater London Authority	(1,336)
Cash collected from Business Rate Supplement Payers	1,334
Less Cost of collection allowance and set up costs	(35)
Amount repayable by the Greater London Authority	**37**

The Authority collects money on behalf of the Business Improvement Districts and this is then paid over in monthly instalments to the BID Company.

There is no surplus or deficit arising on the agency agreement.

	2009/10 £000	2010/11 £000
Ilford Bid Summary		
Amount Bought Forward	0	(50)
Cash Collection in 2010/11	(342)	(366)
Levy Payment	292	380
Balance bought forward 31 March 2011	**(50)**	**(36)**
Hainault Bid Summary		
Amount Bought Forward	0	(14)
Cash Collection in 2010/11	(62)	(44)
Levy Payment	48	53
Balance bought forward 31 March 2011	**(14)**	**(5)**

31. Aligned Budgets

The Authority has entered into an aligned* budget arrangement with NHS Redbridge (NHSR) for the provision of children's services to meet the needs of people in the London Borough of Redbridge (LBR), the services being provided by the Authority and the PCT. The Authority and NHS Redbridge have an agreement in place under Section 75 which was effectively a continuation of the existing S.31 arrangements which have been in place since 2004, with partners contributing funds to the agreed budget.

** - The budgets are retained separately by the partners in the agreement and managed by the London Borough of Redbridge Children's Trust. Any surplus or deficit is retained by the relevant partner at the end of the financial year.*

	2009/10 £000	2010/11 £000
Funding provided top the aligned* budget:		
• LBR	29,248	30,455
• NHSR	7,181	6,928
Expenditure met from the aligned* budget:		
• LBR	30,894	31,433
• NHSR	7,521	6,770
Net surplus arising on the aligned* budget during the year		
• LBR	1,646	978
• NHSR	331	(158)

32. Learning Disability Partnership

The Learning Disability Partnership was formed on the 31 March 2003 under a Section 31 Agreement, which from 1 April 2008 was superseded by a Section 75 agreement.

The Partnership is made up of the following bodies:

- London Borough of Redbridge.
- London Borough of Waltham Forest.
- NHS Redbridge (Formerly Redbridge PCT).
- NHS Waltham Forest (Formerly Waltham Forest PCT).

The purpose of the partnership is primarily to:

- Maximise the efficient and effective use of limited resources.
- Develop a more integrated organisation that is centred on the needs of service users.
- To achieve improved outcomes for service users and their carers.

The Learning Disability Partnership arrangement is currently under review and maybe subject to change in the future.

Expenditure and Income of the Partnership in 2010/11

2009/10 Net Expenditure		**2010/11 Gross Expenditure**	**Gross Income**	**Net Expenditure**
£'000		**£'000**	**£'000**	**£'000**
17,075	London Borough of Redbridge	30,208	(12,339)	17,869
17,943	London Borough of Waltham Forest	29,388	(9,721)	19,667
6,528	NHS Redbridge	8,287	(1,161)	7,126
10,511	NHS Waltham Forest	10,341	0	10,341
52,057		**78,224**	**(23,221)**	**55,003**

33. Integrated Community Equipment Services Partnership

The Integrated Community Equipment Services partnership was formed on 7 December 2006. The purpose is to improve the Services commissioned and provided for Service Users by:

- Ensuring gaps in service provision are avoided,
- Reducing duplication and bureaucracy,
- Simplifying access to Services and making them more seamless,
- Maximising the flexibility of Services to respond to individual need,
- Ensuring more effective co-ordination of Services.

The Partnership is made up of the following bodies:

- London Borough of Redbridge.
- NHS Redbridge.

Expenditure and Income of the Partnership 2010/11

2009/10 Net Expenditure		2010/11 Gross Expenditure	2010/11 Gross Income	2010/11 Net Expenditure
£'000		£'000	£'000	£'000
1,024	London Borough of Redbridge	1,185	0	1,185
322	NHS Redbridge	302	0	302
1,346		**1,487**	**0**	**1,487**

34. Members' Allowances

The Authority paid the following amounts to Members of the Authority during the year.

	2009/10 £000	2010/11 £000
Allowances	1,051.9	1,021.0
Total	**1,051.9**	**1,021.0**

35. Officers' Remuneration

The following table sets out the remuneration paid to the Authority's senior employees:

		Note	Salary including Fees and Allowances £	Other Emoluments £	Total Remuneration excluding pension contributions £	Pension Contribution £	Total Remuneration including pension contributions £
Roger Hampson Chief Executive	2010/11	*1*	181,542		181,542	41,936	223,478
	2009/10		*181,542*		*181,542*	*41,936*	*223,478*
Director of Finances and Resources	2010/11		135,483	2,669	138,152	31,851	170,003
	2009/10		*137,217*	*2,669*	*139,886*	*32,208*	*172,094*
Director of Environment, Regeneration and Community Safety	2010/11		133,209	2,135	135,344	31,264	166,608
	2009/10		*133.209*	*2,135*	*135,344*	*31,180*	*166,524*
Director of Children's Services	2010/11		131,205		131,205	30,308	161,513
	2009/10		*129,204*		*129,204*	*29,846*	*159,050*
Borough Solicitor and Secretary	2010/11		94,032		94,032	21,721	115,753
	2009/10	*2*	*99,547*	*384*	*99,931*	*21,905*	*121,836*
Director Community Services	2010/11		123,192	1,761	124,953	28,864	153,817
	2009/10		*125,729*	*1,761*	*127,490*	*29,383*	*156,873*
Director Adult Social Services	2010/11		123,192	1,761	124,953	28,864	153,817
	2009/10		*122,361*	*1,761*	*124,122*	*28,335*	*152,457*

Note 1 – In his role as Returning Officer the Chief Executive also received the following sums: 2009/10 – £9,022 in respect of the European Election and £585 for one By-Election (Pension contributions £2,084 and £135 respectively, these pension elements being processed in 2010/11); 2010/11 - £8,099 in respect of the General Election and £9,835 for the Local elections and one By-Election (Pension contributions £1,871 and £2,272 respectively). Both salary and employers pension contributions in respect of the European Election (2009/10) and the General Election (2010/11) are refunded in full by the relevant Government Departments.

Note 2 – First Post holder 01/04/2009 – 22/06/2009 Second Post holder 23/06/2009 / 31/03/2010. Other emolument of £384 relates to first post holder (part year only).

The number of employees including Senior Officers whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

2009/10			Earning Band	2010/11		
Officers	**Teachers**	**Total**		**Officers**	**Teachers**	**Total**
36	121	**157**	**£50,000 - £54,999**	40	126	**166**
42	56	**98**	**£55,000 - £59,999**	43	66	**111**
22	33	**55**	**£60,000 - £64,999**	25	32	**55**
5	23	**28**	**£65,000 - £69,999**	6	26	**32**
6	17	**23**	**£70,000 - £74,999**	3	21	**24**
3	17	**20**	**£75,000 - £79,999**	4	16	**20**
3	17	**20**	**£80,000 - £84,999**	3	15	**18**
3	5	**8**	**£85,000 - £89,999**	3	13	**16**
2	2	**4**	**£90,000 - £94,999**	4	6	**10**
2	3	**5**	**£95,000 - £99,999**	0	1	**1**
1	3	**4**	**£100,000 - £104,999**	2	3	**5**
0	3	**3**	**£105,000 - £109,999**	0	1	**1**
0	1	**1**	**£110,000 - £114,999**	0	1	**1**
0	1	**1**	**£115,000 - £119,999**	0	2	**2**
1	0	**1**	**£120,000 - £124,999**	2	1	**3**
2	0	**2**	**£125,000 - £129,999**	0	1	**1**
0	0	**0**	**£130,000 - £134,999**	1	0	**1**
2	1	**3**	**£135,000 - £139,999**	2	0	**2**
0	0	**0**	**£140,000 - £144,999**	0	0	**0**
0	0	**0**	**£145,000 - £149,999**	0	1	**1**
1	0	**1**	**£180,000 - £185,000**	1	0	**1**
131	**303**	**434**		**139**	**332**	**471**

Remuneration includes gross salary, bonuses, expenses allowances, compensation for loss of employment, and any other emoluments.

36. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

	2009/10 £000	2010/11 £000
Fees payable to (external auditors) with regard to external audit services carried out by the appointed auditor for the year – Financial Statements.	198	214
Fees payable to (external auditors) with regard to external audit services carried out by the appointed auditor for the year – Use of Resources/VFM Conclusion work (including data quality).	144	125
Fees payable to (external auditors) in respect of statutory inspections.	20	0
Scale Fee and Transition to IFRS rebates.	0	(36)
Fees payable to (external auditors) for the certificate of grant claims and returns for the year.	85	89
Fees payable in respect of other services provided by (external auditors) during the year, including preparations and submission of a successful claim for refund of VAT, and National Fraud Initiative.	229	17
Total	**676**	**409**

37. Disclosure of Deployment Dedicated Schools Grant in 2010/11

The Authority's Expenditure on schools is funded primarily by grant monies provided by the Department for Education (DfE) through the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2010/11 are as follows:

Schools budget funded by Dedicated Schools Grant 2010/11:

		Central Expenditure	Individual Schools Budget (ISB)	Total
		£'000	**£'000**	**£'000**
Final DSG for 2010/11	***(Note 1)***			**194,565**
Brought forward from 2009/10	***(Note 2)***			**(92)**
Carry forward to 2011/12 agreed in advance	***(Note 3)***			**0**
Agreed budgeted distribution in 2010/11		22,949	171,524	**194,473**
Actual central Expenditure		(21,258)	0	**(21,258)**
Actual ISB deployed to schools		0	(172,755)	**(172,755)**
Local Authority contribution for 2010/11		700	0	**700**
Carry forward to 2011/12		**2,391**	**(1,231)**	**1,160**

Notes

1 Finalised DSG figure as issued by DfE on 9th February 2011 (following Academy recoupment).

2 Figure brought forward from 2009/10 as agreed with DfE.

3 No carry forward of grant to 2011/12, was agreed in advance.

The overall Schools Budget is approximately equal to the DSG payable for the year, funding received from the Young Peoples Learning Agency for the provision of education for pupils aged 16+ and funding for the additional 2.5 hrs of free entitlement for 3 and 4 year olds in nursery settings. **This disclosure only relates to the deployment of the DSG**.

In setting the budget for 2010/11 it should be noted that the Central Expenditure element for the Schools Budget did exceed the statutory maximum and this was agreed by Schools Forum on 22 March 2010. However, transfers of approximately £1.231 million from Central Expenditure to the ISB during the year have resulted in central expenditure being below budget. The Surplus balance, approximately £1.160 million will be carried forward to be included within the overall schools budget in 2011/12.

38. Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2010/11:

	2009/10 £000	2010/11 £000
Credited to Taxation and Non Specific Grant Income		
Recognised Capital Grants and contributions	50,774	48,004
Council Tax	97,624	99,005
NNDR	77,056	85,590
RSG	17,785	12,428
Non Service Related Government Grants	11,163	16,425
Total	**254,402**	**261,452**

Credited to Services		
Department of Work & Pensions	156,981	158,633
Communities & Local Government	30,345	27,775
Department for Education	258,381	265,947
Other Miscellaneous Grants	12,607	7,847
Total	**458,314**	**460,202**

The Authority has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year end are as follows:

	2009/10 £000	2010/11 £000
Capital Grants Receipts in Advance		
Short Term	7,236	3,749
Long Term	5,424	5,437
Total	**12,660**	**9,186**

39. Related Parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Organisations	Member	Capacity	2010/11 Payments to organisations by the Authority £'000
Redbridge Arts Council	Councillor H Cleaver	Council Representative on the Executive Committee	24*
Redbridge Homes	Cllr L Eyre (resigned 02/06/10), Cllr R Cole (resigned 02/06/10), Cllr I Mustafa (resigned 02/06/10), Cllr J Ryan (appointed 25/06/09), Cllr G Deakins (resigned 13/01/11), Cllr P Canal (appointed 02/06/10), Cllr R Hatfull (appointed 02/06/10)	Board Members	6,139
Redbridge Vision	Cllr R Cole, Cllr J Athwal	Board Members	796
Redbridge Theatre Company	Cllr R H Hoskins, Cllr R C Littlewood, Cllr S Nolan (appointed 01/06/10), Cllr K Prince (appointed 13/12/10), Cllr J E Ryan, Cllr B Saund (appointed 01/06/10), Cllr J Stark, Cllr B White (appointed 01/06/10), Cllr R I Barden (resigned 10/05/10), Cllr R K Mahal (resigned 01/06/10), Cllr A E Weinberg (resigned 01/06/10) , Cllr L Huggett (resigned 13/12/10)	Members of Board of Governors	198

** As part of budget process grant awarded to RAC was agreed by full Council*

Central Government

Central Government has effective control over many of the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, it provides the majority of the Authority's funding in the form of grants and it prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits calculations). Grants received from Government departments are set out in the subjective analysis in Note 36 on reporting for resources allocation decisions.

Companies and Organisations

The Authority has the following interests in organisations:

Redbridge Homes Limited
The Authority has one subsidiary company, Redbridge Homes Limited. Redbridge Homes began operations on 1 April 2007 to manage Authority owned housing stock and provide services for its resident tenants and leaseholders. Redbridge Homes was paid a management fee of £6.1 million in 2009/10 (£6.5 million in 2009/10) for providing these services.

Redbridge Vision
A Leisure Trust was formed in April 2007 to operate the Authority's Leisure facilities. As at 31 March 2011 the Leisure Trust was responsible for seven facilities. The Authority made contract payments of £796,017 in 2010/11 (£827,081 in 2009/10) to Vision for the management of the facilities.

Redbridge Theatre Company Limited
The principal activity of this Company is the operation of a theatre for the London Borough of Redbridge. The Company is a registered charity and carries on business as a Theatrical Charitable Trust. The Company is limited by guarantee and has no share capital. The Authority grant aids the Company and during 2009/10 this amounted to £198,004 (£139,339 in 2009/10). The net assets of the Company for year ended July 2010 totalled £150,705 (£167,907 year ended July 2009). The Company made a net loss in 2009/10 of £474 (£1,120 year ended July 2009).

Eight Redbridge Councillors serve on the Board of Governors of the Theatre. The Director of Finance and Resources for Redbridge is also the Honorary Treasurer for the Theatre and the Borough Solicitor and Secretary is the Honorary Secretary for the Theatre.

At the time of the production of this year's Accounts for the London Borough of Redbridge, the 2010/11 Accounts for the Redbridge Theatre Company Limited had not been produced as its year end is 31 July 2011. These will be available at a later date. The last audited set of Accounts was given an unqualified audit opinion. Copies are available at the offices of the Director of Finance and Resources.

Other

During the financial year, the Authority charged the Pension Fund £411,000 for expenses incurred administering the Pension Fund (£445,000 in 2009/10). A balance of £3.0 million (£2.9 million in 2009/10) was held in the Authority's bank account in relation to the Pension Fund as at 31 March 2011.

The Authority made payments of £890,129 as part of the London Councils scheme, to the City of London for Voluntary grants (£886,565 in 2009/10).

The Authority made payments of £24,168 to the Redbridge Arts Council as agreed by full Council (£23,899 in 2009/10).

40. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges in the Capital Financing Requirements (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2009/10 £000	2010/11 £000
Opening Capital Financing Requirement	**170,761**	**176,241**
Capital Investment*		
Property, Plant and Equipment	63,642	70,107
Investment Properties	854	92
Intangible Assets	289	112
Revenue Expenditure Funded from Capital under Statute	6,721	4,745
Sources of Finance		
Capital Receipts	(4,374)	(1,664)
Government grants and other contributions	(54,887)	(52,353)
Sums set aside from revenue:		
Direct revenue contributions	(683)	(8,886)
(MRP/Loans Fund Principal)	(6,082)	(6,225)
Closing Capital Financing Requirements	**176,241**	**182,169**

Explanation of movements in year		
Statutory provision for the financing of Capital Investment	(6,082)	(6,225)
Increase in underlying need to borrowing (supported by government financial assistance)	2,233	2,684
Increase in underlying need to borrowing (unsupported by government financial assistance)	9,330	9,469
Increase/(decrease) in Capital Financing Requirement	**5,841**	**5,928**

* *These figures should match to the Additions lines in the notes detailing movements on the non-current asset balances.*

41. Leases

The Authority as Lessee

Finance Leases

The Authority has acquired a number of Vehicles, Plant, Furniture and Equipment under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet as the following net amounts:

	31 March 2010 £000	31 March 2011 £000
Land and Buildings	0	0
Vehicles, Plant, Furniture and Equipment	4,309	3,700
	4,309	**3,700**

The Authority is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2010 £000	31 March 2011 £000
Finance lease liabilities (net present value of minimum lease payments):		
• Current	1,260	1,191
• Non- current	2,943	1,753
Finance costs payable in future years	(475)	(282)
Minimum lease payments	**3,728**	**2,662**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Payments	
	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000
Not later than one year	1,260	1,191	1,066	1,052
Later than one year and not later than five years	2,808	1,677	2,541	1,542
Later than five years	135	75	121	68
	4,203	**2,943**	**3,728**	**2,662**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 £0 contingent rents were payable by the Authority (2009/10 £0).

Operating Leases

During the year the Authority has acquired a fleet of refuse collection vehicles, minibuses, vans, lorries, sweepers and cars, by entering into operating leases, with typical lives of seven and ten years.

The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2010 £000	31 March 2011 £000
Not later than one year	0	581
Later than one year and not later than five years	0	1,664
Later than five years	0	0
	0	**2,245**

As part of the restatement of the accounts in accordance with IFRS, some operating leases had been reclassified as Finance leases and those that were not reclassified expired during 2009/10.

The expenditure charged to the relevant service area in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	2009/10 £000	2010/11 £000
Minimum lease payments	0	511
Contingent rents	0	0
(Sublease payments receivables)	0	0
	0	**511**

None of the assets acquired under operating leases are sub-let. In addition, there were no contingent rents attached to the contracts. During 2009/10 all operating leases had expired.

The Authority as Lessor

Finance Leases

The Authority entered into a contract with Britannia Parking Limited for the lease of a multi storey car park at Clements Road, Ilford for a period of 125 years, from April 2002. The car park will be both managed and operated by Britannia Parking Limited. The rent is increased annually by applying a formula based upon the annual RPI index.

The Authority has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long term debtor for the interest in the property acquired by Britannia Parking Limited and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	31 March 2010 £000	31 March 2011 £000
Finance lease debtor (net present value of minimum lease payments):		
• Current	97	97
• Non- current	11,275	11,178
Unearned finance income	(9,594)	(9,512)
Unguaranteed residual value of property	101	113
Gross investment in the lease	**1,879**	**1,876**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the lease		Minimum Lease Payments	
	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000
Not later than one year	15	15	15	15
Later than one year and not later than five years	61	61	61	61
Later than five years	1,803	1,800	1,702	1,687
	1,879	**1,876**	**1,778**	**1,763**

The minimum lease payments do not include rents that are contingent on events taking place after the lease entered into, such as future price indices. In 2010/11, contingent rents of £23,166 were receivable by the Authority (2009/10 - £20,343).

Operating Leases

The Authority leases out land under operating leases for:

- The provision of community services.
- Economic development purposes.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2010 £000	31 March 2011 £000
Not later than one year	5,116	5,116
Later than one year and not later than five years	20,462	20,462
Later than five years	572,946	567,830
	598,524	**593,408**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11, contingent rents of £1,219 were receivable by the Authority (2009/10 - £1,071).

42. Private Finance Initiatives and Similar Contracts

Oaks Park High School – Scheme Details

2010/11 was the ninth year of a 30 year PFI contract for the construction, maintenance and operation of Oaks Park Secondary School.

On the 4 July 2001, the Authority contracted with NU Schools For Redbridge Limited to provide a secondary school, Oaks Park High School, under a Private Finance Initiative.

The school had a phased opening in January 2002 and provides 1,450 pupil places.

Under the terms of the PFI, the Authority has leased a vacant site at Barley Mow to the PFI contractor for the period of the contract – 30 years.

Under the PFI contract, the Authority pays an agreed charge, which has been accounted for as outlined in the Authority's Accounting Policies as detailed on page 36. At the time the contract was signed the total estimated contract payments were £65.9 million to the end of the contract in December 2032. Actual payments will depend on the service provided.

The Government provides a grant of approximately £52.028 million over the life of the contract. The key financial details of the scheme are detailed below:

	£'000
Total Scheme Capital Expenditure	15,998
Residual asset value as at 31 March 2010	11,131
Current residual asset value as at 31 March 2011	10,804
Estimated asset life	35 years

Property Plant and Equipment

The assets used to provide services at the leisure centres are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 12.

Payments

The Authority makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contract as at 31 March 2011 (excluding any estimation of inflation and availability / performance deductions) are as follows:

	Services Charges £000	Principal Repayments £000	Interest Payments £000	Total £000
Repayable within 1 year	837	277	1,166	2,280
Repayable in 2 to 5 years	3,350	1,363	4,407	9,119
Repayable in 6 to 10 years	4,187	2,462	4,749	11,399
Repayable in 11 to 15 years	4,187	3,699	3,513	11,399
Repayable in 16 to 20 years	4,187	5,556	1,656	11,399
Repayable in 21 to 25 years	1,198	1,046	36	2,280
Total	**17,946**	**14,402**	**15,528**	**47,875**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows.

	2009/10 £000	2010/11 £000
Balance outstanding at start of the year	14,893	14,657
Payments during the year	(236)	(255)
Capital Expenditure incurred in the year	0	0
(Other movements)	0	0
Balance outstanding at year-end	**14,657**	**14,402**

Bereavement Services Contract – The Authority has entered into a long-term contract (90 years from February 2005) with Cemetery and Crematorium Services Ltd for the provision of a cemetery and crematorium facility at Forest Road, Hainault, and for the management of the Authority's other cemeteries. Under the terms of the contract the Authority currently receives a minimum payment of £34,000 per annum and will receive a percentage of the contractor's turnover as the contract progresses.

43. Impairment Losses

During 2010/11, the Authority has recognised an impairment loss of £52.2 million in relation to Council Dwellings £37 million, Other Land and Buildings £15.2 million.

The council dwelling has been reduced as a result of valuation technique changes for social housing provided by Communities and Local Government. The impairment loss has been charged to the Housing Revenue Account line in Comprehensive Income and Expenditure Statement.

The other land and buildings has been reduced as a result of replacement works to secondary school and other changes in valuation to reflect recoverable amount. The impairment loss has been charged to the Education and Children's Services and Housing Revenue Account line in Comprehensive Income and Expenditure Statement.

General Fund	
Loxford School of Science and Technology	£13.4 million
Other Land and Buildings	£0.4 million
HRA	
HRA Council Dwellings	£37 million
HRA Other Land and Buildings	£1.4 million

44. Termination Benefits

The Authority terminated the contracts of a number of employees in 2010/11, incurring liabilities of £736k (£482k in 2009/10). These redundancies results from the Authority's effects to reduce costs of services in response to the reduction in grant income from the government. There were a total of 58 redundancies in 2010/11.

45. Trust Funds

The Authority administers the affairs of some elderly residents and children in care, sometimes by named officers, and also holds various other deposits. These funds are not included in the Consolidated Balance Sheet. The total value of these funds as at 31 March 2011 was £1,691,765 (£882,271 as at 31 March 2010).

46. Pensions Schemes Accounted for a Defined Contribution Schemes

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Authority contributions towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Authorities. The Authority is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2010/11, the Authority paid £15.2m to teacher's pensions in respect of teachers' retirement benefits, representing 14.1%of pensionable pay. The figures for 2009/10 were £14.7m and 14.1%. There were no contributions remaining payable at year end.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 47.

47. Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in two post employment arrangements:

- The Local Government Pension Scheme, administered locally by the London Borough of Redbridge – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there is no investment assets built up to meet these pension's liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due. There have been no new awards since 2008 for officers and since 2009 for teachers.

Transaction Relating to Post Employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based in the cash payable in the year, so the real cost of post employment/retirement benefit is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the movement in Reserves Statement during the year:

	Local Government Pension Scheme £000	
	2009/10	**2010/11**
Comprehensive Income and Expenditure Statement		
Cost of Services:		
• Current Service Cost	10,310	14,085
• Past Service Costs	131	(70,030)
• Settlements and curtailments	207	(168)
Financing and Investment Income and Expenditure:		
• Interest Cost	32,756	33,328
• Expected return on scheme assets	(18,016)	(25,229)
Total Post Employment Benefit charged to the Surplus or Deficit on the provision of Services	**25,388**	**(48,014)**
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement:		
• Actuarial gains and losses	(157,364)	(4,816)
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement		
Movement in Reserve Statement:		
• Reversal of net charges made to the Surplus or Deficit on the provision of Services for post employment benefits in accordance with the code	1,356	72,378
Actual amount charged against the General Fund Balance for pensions in the year:		
• Employer's contributions payable to scheme	21,997	22,284
• Employer's discretionary contributions payable	2,034	2,080
• Retirement benefits payable to pensioners	19,134	22,200
• Discretionary benefits payable to pensioners	2,034	2,080

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2010/11 is a loss of £10,105,000.

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Funded Liabilities Local Government Pension Scheme	
	2009/ 10 £000	**2010/ 11 £000**
Opening Balance at 1 April	476,766	662,728
Current Service Cost	10,310	14,085
Interest Cost	32,756	33,328
Contributions by scheme participants	6,363	6,443
Actuarial gains and losses	157,364	4,816
Benefits paid	(19,134)	(22,200)
Discretionary Benefits	(2,034)	(2,080)
Past Services Costs	131	(70,030)
Entity Combinations	0	0
Curtailments	207	390
Settlements	0	(1,035)
Closing Balance at 31 March	**662,729**	**626,445**

Reconciliation of fair value of the scheme (plan) assets:

	Funded Liabilities Local Government Pension Scheme	
	2009/10 £000	**2010/11 £000**
Opening Balance at 1 April	295,726	379,404
Expected Rate of Return	18,016	25.229
Actuarial gains and losses	56,436	(5,763)
Employer contributions	21,997	22,760
Contributions by scheme participants	6,363	6,443
Benefits paid	(19,134)	(22,200)
Entity Combinations	0	0
Settlements	0	(477)
Closing Balance at 31 March	**379,404**	**405,396**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was 8.5% (in 2009/10 the return was 24.8%).

Scheme History

	2006/ 07 £000	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000
Present value of liabilities:					
Local Government Pension Scheme	(540,169)	(481,486)	(476,766)	(662,728)	(626,446)
Fair value of assets in the Local Government Pension Scheme	330,307	326,129	295,726	379,404	405,396
Surplus/(deficit) in the scheme:					
Total Deficit	**(209,862)**	**(155,357)**	**(181,040)**	**(283,324)**	**(221,050)**

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £221,050,000 has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet, resulting in reduction in the Authority's net worth of 27.5% as at the 31 March 2011 (45% as at 31 March 2010). However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit on the local government scheme will be made good by increased contributions from employees and employers plus investment returns over 20 years.

- There is only a requirement for the Authority to fund discretionary benefits that are awarded when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2012 is £22,764,300.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits Liabilities have been assessed by Hymans Robertson, as independent firm of actuaries, estimates for the London Borough of Redbridge Pension Fund being based in the latest full valuation of the scheme as at 1 April 2010.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2009/10	2010/11
Long term expected rate of return on assets in the scheme:		
Equity Investments	7.8%	7.5%
Bonds	5.0%	4.9%
Property	5.8%	5.5%
Cash	4.8%	4.6%
Mortality assumptions		
Longevity at 65 for current pensioners:		
Men	20.8 years	21.9 years
Women	24.1 years	24.7 years
Longevity at 65 for future pensioners:		
Men	22.8 years	23.8 years
Women	26.2 years	26.5 years
Rate of Inflation	3.8%	2.8%
Rate of increase in salaries	5.3%	4.6%
Rate of increase in pensions	3.8%	2.8%
Rate for discounting scheme liabilities	5.5%	5.5%
Take up of option to convert some annual pension into retirement lump sum	50%	50%

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's asset consists of the following categories, by proportion of the total assets held:

	31 March 2010 %	31 March 2011 %
Equity Investments	58	58
Debt Instruments	34	34
Other assets	8	8
Total	**100**	**100**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categorises.

	2006/07 £'000	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000
Difference between the expected and actual return on assets	27,919	88,266	40,899	(157,364)	(4,816)
Experience gains and losses on liabilities	(3,132)	(32,624)	(62,829)	56,436	(5,763)

48. Contingent Liabilities

Single Status

The Authority is continuing to work towards implementation of a Single Status Agreement in order to harmonise terms and conditions within its workforce. Consultation with trade unions commenced in June 2010 and progress is being made towards implementation. Pending implementation of an agreement, the Authority has a potential liability in relation to claims for equal pay. The overall liability for the costs of implementing Single Status and settling equal pay claims is likely to be significant but cannot be quantified at this stage. An earmarked reserve has been set aside in the accounts to cover the Authority's responsibilities for equal pay awards / compensation, additional payroll costs arising from the implementation of Single Status and associated administrative and legal costs.

49. Nature and Extent of Risks arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

- Credit risk - the possibility that other parties might fail to pay amounts due to the Authority.
- Liquidity Risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.
- Refinancing and Maturity Risk – the possibility that the Authority might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority's treasury risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management, in this context, is carried out by a central treasury team, under polices approved by the Authority in the Annual Treasury Management Strategy. The Authority provides written principles for treasury risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Overall Procedures for Managing Risk

The treasury management team within the Finance Service implements these policies prescribed in the Strategy. The Authority maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMP's). These TMP's are a requirement of the Code of Practice and are reviewed periodically.

The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Authority to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Authority to manage risk in the following ways:

- by formally adopting and following the requirements of the Code of Practice;
- by approving annually in advance Prudential Indicators for the following three years limiting:
    - the Authority's overall borrowing;
    - maximum and minimum exposure to fixed and variable interest rates;
    - maximum and minimum debt repayment profile;
    - maximum annual exposure to investments maturing beyond a year.

The Investment Strategy for the forthcoming year sets out criteria for both investing and selecting investment counterparties in compliance with government guidance. The Strategy's objective is to prioritise the security and liquidity of the Authority's investments over the investment yield. Prior to being approved by full Council, the Strategy

is scrutinised by the Authority’s Audit Committee. Performance is reported bi-annually to Council. An annual report is also required.

Credit Risk

Credit risk arises from deposits with banks, financial institutions, as well credit exposures, to the Authority’s other debtors.

Credit risk arising from deposits with Banks and Financial Institutions

The Annual Investment Strategy (details of which are available on the Authority’s website) requires the Authority to maintain a counterparty list that follows the criteria set out in the Treasury Management Practices. Creditworthiness is assessed by the use of credit ratings provided by Fitch Ratings, Moody's and Standard and Poor's to assess an institution's long and short-term financial strength along with its individual and support ratings. Other information provided by Brokers, Advisers and financial and economic reports are also collated and assessed and then used to produce a matrix to monitor each individual institution against the Authority's criteria to impose a maximum sum to be invested with a financial institution located within each category.

Any counterparty whose ratings fall to the extent that they no longer meet the credit criteria are immediately removed from the lending list.

Only highly rated counterparties may be included on the lending list:

- UK Banks supported by the UK Government;
- Building Societies with assets in excess of £3bn;
- AAA Money Market Funds;
- UK Government (Debt Management Office);
- Other Local Authorities.

The Authority’s maximum exposure to credit risk in relation to its investments in banks and building societies of £95.8m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority’s deposits; there was no evidence at the 31 March 2011 that this was likely to materialise.

In addition, the diversification of investments also provides additional security. The maximum percentages of the investment portfolio, which may be invested in each class of assets, are detailed below:

Asset Class Percentages		
Type of Asset	**% Of Total Investment as set by 2010/11 Treasury Management Strategy %**	**% Of Total Investment as at 31 March 2011. %**
UK Government and Local Authorities	100%	16
Banks- Specified	100%	55
Money Market Funds – Specified	75%	0
Building Societies - Specified	100%	22
Monetary Institutions outside Europe – Specified	15%	0
Unspecified Investments – including un-rated Building Societies	50%	7
Non UK Government and Supranational Bonds	15%	0

The asset class percentages are well within the upper limits prescribed in the Authority’s Treasury Management Strategy for 2010/11.

As at 31 March 2011, the Authority had £2 million in long-term investments (over 364 days), (£2 million as at 31 March 2010). This is within the boundary of £20 million for long-term investments as specified in the Authority's Treasury Management Strategy.

No breaches of the Authority's counter-party criteria occurred during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

As at 31 March 2011, the Authority had no investments with Non-UK domiciled banks.

Credit Risk arising from the Authority's exposure to other debtors

Credit risk can arise from the Authority's exposure to other debtors, this excludes monies from government and public institutions. Payments for services are either required in advance or due at the time the service is provided.

The following analysis summarises the Authority's potential maximum exposure to credit risk from its other debtors, based on experience of default and un-collectability over the last five financial years, adjusted to reflect current markets conditions.

	Amount at 31 March 2011 £000	Historical experience of default	Historical experience of adjustment for market conditions at 31 March 2011	Estimated maximum exposure at 31 March 2011 £000
Other Debtors	48,916	4.00%	1.00%	2,446

Payments for services are either required in advance or due at the time the service is provided. As at 31 March 2011, approximately £49m (£50.7m as at 31 March 2010) is due to the Authority from its other debtors, the total being past its due date. The past due but not impaired amount can be analysed by age as follows:

Age Debtors Analysis	**31 March 2010 £000**	**31 March 2011 £000**
Less than three months	9,964	7,106
Three to six months	2,442	2,003
Six months to one year	3,008	2,468
Over one year	15,001	13,471
One to two years	5,983	5,303
Two to three years	4,637	5,517
Three to four years	3,266	4,184
Four to five years	2,583	3,509
Over five years	3,781	5,355
	50,665	**48,916**

Liquidity Risk

The Authority manages its liquidity position through the risk management procedures above (the setting and approval of Prudential Indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Authority has ready access to the Public Works Loans Board (PWLB). The PWLB provides access to longer-term funds and acts as lender of last resort to Councils. Therefore there is no significant risk that the Authority will be unable to raise finance to meet its commitments. As at 31 March 2011 70% (68% as at 31 March 2010) of Authority Loans outstanding were with the PWLB.

Through the Local Government Finance Act 1992, the Authority is required to provide a balanced budget, which ensures sufficient monies are raised to cover annual expenditure. The Authority has set a prudent three year budget and sought to set an affordable council tax for its residents. Therefore, there is no significant risk that the Authority will be unable to raise finance to meet its commitments.

The Authority manages its day-to-day liquidity position though the monitoring of Prudential Indicators, associated strategies and practices and cash flow management procedures.

Refinancing and Maturity Risk

The Authority's approved Treasury and Investment strategies are set to avoid the risk of refinancing on unfavourable terms. The central treasury team address the operational risks within approved parameters. These include:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or rescheduling existing debt;

- Monitoring the maturity of investments to ensure that there is sufficient liquidity available for the Authority's day-to-day cash flow needs, (this is set at £30m in the Treasury Strategy) and the spread of long term investments provides stability of maturities and returns in relation to long term cash flow needs; and

- On a short-term basis internal balances are available to finance should market interest rates be unfavourable at the time of refinancing.

The maturity analysis for borrowing is as follows:

Renewal Period	**Market Loans Outstanding as at 31 March 2011 £000's**	**Limit of projected Fixed rate Borrowing %**	**% of Total Borrowing 31 March 2011 %**	**% of Total Borrowing 31 March 2010 %**
Less than one Year	25,513	25	22	14
Between one and two years	23,025	40	19	24
Between two and five years	26,037	60	22	21
Between five and ten years	22,063	80	19	29
More than 10 Years	20,850	100	18	12
Total	**117,488**		**100**	**100**

Market Risk

Interest Rate Risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- Borrowing at variable rates – the interest expense charged to the Surplus and Deficit on the provision of services will rise

- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall

- Investments at variable rates – the interest income credited to the Surplus and Deficit on the Provision of Services will rise

- Investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus and Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivables on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Authority has a number of strategies for managing interest rate risk. The policy is to aim to keep a maximum of 25% of it's borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is

ameliorated by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

Impact on of 1% increase in interest rates	£000
Increase in interest payable on variable rate borrowings	0
Increase in Interest receivable on variable rate investments	0
Increase in government grant receivables for financing costs	0
Impact on Surplus or Deficit on the Provision of Services	0
Share of overall impact debited to the HRA	0
Decrease in fair value of fixed rate investments assets	45
Impact on Other Comprehensive Income and Expenditure	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit) on the provision of Services or Other Comprehensive Income and Expenditure)	10,195

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk
The Authority does not invest in equity shares and therefore is not exposed to losses arising from movement in the price of shares.

Foreign Exchange Risk
The Authority has no financial assets or a liability denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

Supplementary Statements

Housing Revenue Account Income and Expenditure Statement

The Housing Revenue Account (HRA) Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants.

The Authority charges rent to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement in Reserves Statement.

Restated 2009/10	**Housing Revenue Account Income and Expenditure Account**	***Note***	**2010/11**
£'000			**£'000**
	Expenditure		
5,463	Repairs and Maintenance		5,661
8,380	Supervision and Management		7,728
480	Rents, Rates, Taxes and Other Charges		514
811	Negative HRA subsidy payable	*(2)*	6,050
3,992	Depreciation and Impairments of non-current assets	*(7)*	42,115
0	Debt Management Costs		0
25	Movement in the allowance for bad debts		24
19,151	**Total Expenditure**		**62,092**
	Income		
(20,209)	Dwelling Rents	*(1)*	(20,291)
(328)	Non-Dwelling Rents		(306)
(2,928)	Charges for Services and Facilities		(3,150)
0	Contributions towards expenditure		(53)
(46)	Repayment of capital grants/advances		(28)
(23,511)	**Total Income**		**(23,828)**
(4,360)	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Account**		**38,264**
0	HRA services share of Corporate and Democratic Core		0
(4,360)	**Net Expenditure / (Income) on HRA Services**		**38,264**
(111)	(Gain) or loss on sale of HRA non-current assets		(550)
4	Interest payable and similar charges		4
(130)	Interest and investment income		(128)
10	Pensions interest cost and expected return on pension assets	*(12)*	6
(3,905)	Capital grants and contributions receivable		(1,725)
(8,492)	**(Surplus) / Deficit for the year on HRA services**		**35,871**

Movement on the Housing Revenue Account Statement

Restated 2009/10 £'000		2010/11 £'000
(1,870)	**Balance on the HRA at the end of the previous year**	**(2,397)**
(8,492)	(Surplus) / deficit for the year on the HRA Income and Expenditure Account	35,871
(4,043)	Adjustment between accounting basis and funding basis under statute	(34,482)
(4,449)	**Net (increase) or decrease before transfers to or from reserves**	**1,389**
3.922	Transfers to or (from) reserves	(1,418)
(527)	Increase in year on the HRA	(29)
(2,397)	**Balance on the HRA at the end of the current year**	**(2,426)**

Note to the Movement on the HRA Statement

Restated 2009/10 £'000			2010/11 £'000
	Adjustments between accounting basis and funding basis under regulations		
111	Gain or loss on sale of HRA non-current assets		550
46	Repayment of capital grants/advances		28
(2)	HRA share of contributions to or from the Pension Reserve		(1)
0	Impairment of Fixed Assets		(38,031)
(17)	Capital Receipts cost of sales		(35)
3,905	Capital Grants and contributions receivable		1,725
0	Capital expenditure funded by the HRA		1,282
4,043			**(34,482)**
	Transfers to or from reserves		
1,144	Movement on earmarked reserves	***Note (8)***	(1,421)
(175)	Transfers from Capital Adjustment Account		(112)
2,953	Contribution to Capital Reserves		115
3,922			**(1,418)**

Notes to the Housing Revenue Account

(1) Rent Income

Gross rent income is the total rent income due after allowance is made for void properties. During the year an average of 0.68% of properties were vacant (0.95% in 2009/10). The average rent for all stock was £83.79 per week in 2010/11 and £83.81 in 2009/10.

(2) Housing Subsidy

HRA Subsidy is a grant payable to the CLG towards the costs of local authority housing. It represents surplus of notional rent and other income against expenditure deemed by the CLG to have been incurred for management and maintenance and charges for capital.

2009/10 £'000		2010/11 £'000
3,224	Allowance for Management	3,241
5,825	Allowance for Maintenance	6,209
8,062	Allowance for Major Repairs	3,972
1,128	Charges for Capital	1,174
(130)	Prior Year Adjustment	(29)
(18,876)	Less Guideline Rent Income	(19,345)
(44)	Less Interest on Receipts	(27)
(811)	Total Negative Housing Subsidy	(4,805)
0	Repayment of Brought Forward MRA	(1,245)
(811)	**Total Negative Housing Subsidy – Payment to Secretary of State (DCLG)**	**(6,050)**

The Housing subsidy figure of £4,805k disclosed in the HRA statement includes an adjustment to the prior year subsidy claim of £20K.

(3) Housing Stock

The Authority is responsible for managing a Housing Revenue Account stock of 4,690 properties at 31 March 2011 (4,691 at 31 March 2010). An analysis is shown below. The Authority is also a freeholder of 2346 leased homes that were previously sold to tenants under the Right To Buy legislation.

2009/10 Number		2010/11 Number
	General Needs	
1,659	- One Bedroom	1,659
1,413	- Two Bedrooms	1,410
1,384	- Three or More Bedrooms	1,386
235	Sheltered Housing Units	235
4,691		**4,690**

(4) Rent Arrears

The provision for doubtful debts against arrears was £0.849 million at 31 March 2011(£0.877 million at 31 March 2010).

2009/10 £'000		2010/11 £'000
	Arrears due from	
458	- Current tenants	309
673	- Former tenants	747
1,131	**Total**	**1,056**
5.24%	Total as a % of gross debt	4.45%

(5) Housing Repairs Account

This account has now been closed in accordance with proper practice.

2009/10		2010/11
£'000		£'000
(963)	Balance Brought Forward	(1,546)
0	Expenditure funded from Repairs Account	116
(475)	Contribution to Quality of Life Reserve	359
0	Transfer to HRA Major Fund Reserve	1,071
(108)	Contribution from Revenue Account	0
(1,546)	**Balance on the Major Repairs Reserves as at 31 March**	**0**

(6) Balance Sheet Value of HRA Assets

2009/10		2010/11
£'000		£'000
259,874	Dwellings	229,862
5,451	Other Land and Buildings	4,588
734	Garages	734
266,059		**235,184**

The vacant possession value of dwellings within the HRA as at 1 April 2010 was £890.7 million (£689.4 million as at 1 April 2009). The difference of £661.4 million between the vacant possession value and the Balance Sheet value of dwellings within the HRA represents the economic cost of providing council housing at less than open market value.

(7) Depreciation and Impairment charges

2009/10		2010/11
£'000		£'000
3,817	Operational Assets - dwellings	3,972
175	Operational Assets – other land and buildings	112
0	Impairment (revaluation loss)	38,031
3,992		**42,115**

The charge for impairment reflects the reduction in market value of HRA dwellings plus a change in the discount factor applied to valuations.

(8) Major Repairs Reserve

MRA funds held in the Major Repairs reserve can only be used for capital expenditure on HRA assets.

2009/10		2010/11
£'000		£'000
0	Balance Brought Forward	(2,672)
(4,245)	Receipt of Brought Forward Funding	0
(3,817)	Major Repairs Allowance (MRA)	(3,972)
4,145	Capital Expenditure funded from the MRA	6,644
1,245	Brought forward funding transferred to earmarked reserve	0
(2,672)	**Balance on the Major Repairs Reserves as at 31 March**	**0**

(9) Movement in Earmarked Reserves

The following movements in earmarked reserves occurred in 2010/11:

2009/10 £'000		2010/11 £'000
(218)	Housing IT System Replacement	0
(475)	Quality of Life Reserve	360
8	Week 53 Rent Reserve	(58)
1,245	Accelerated MRA	(1,245)
583	Contribution to Housing Repairs Account	(1,546)
0	Transfer to Minor Works Reserve	1,071
1,143		**(1,418)**

(10) HRA Capital Financing

The following table summarises capital expenditure during the year and the sources of funding used:

2009/10 £'000		2010/11 £'000
5,122	**HRA Capital Expenditure - Dwellings**	**10,818**
	Financed by:	
5,122	Government Grants	3,720
0	Contributions from Capital Receipts Reserve	1,057
0	Contributions from Revenue	1,282
0	Contribution from Major Repairs Reserve	3,644
0	Contribution from Earmarked Reserve	115
0	Borrowing	1,000
5.122	**Total Funding**	**10,818**

(11) Capital Receipts

2009/10 £'000		2010/11 £'000
199	Properties	914
0	Land and Garages	0
199		**914**

(12) HRA Contribution to the Pension Reserve

Under IAS 19 the cost of retirement benefits are recognised in the net cost of services when employees earn then rather than when the benefits are eventually paid. This principle is applied to the HRA. The HRA has been charged with its share of the pension interest cost and return on pension assets, and these together with the charge in service costs have been matched by a transfer to the Pension Reserve so that the net outturn on the HRA is not altered by these IAS 19 adjustments

Collection Fund

The Collection Fund is statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection fund from taxpayers and distributions to local authorities and the Government of council tax and non-domestic rates.

The element of the Collection Fund that relates to the Authority has been consolidated with the Authority's main accounts. The Accounts have been prepared on an accruals basis.

Income and Expenditure Account

2009/10		Note	2010/11
£'000			**£'000**
	Income		
107,710	Income from Council Tax		107,941
	Transfers from General Fund		
21,665	- Council Tax Benefit		22,853
47,635	- Income Collected from Business Rates	*(2)*	49,225
177,010			**180,019**
	Expenditure		
125,232	Precept	*(3)*	127,003
45,863	Business Rate Payment to National Pool		48,070
286	Cost of Collection		293
	Bad and doubtful Debts Provision		
1,427	- Write-offs		4,113
4,202	- Provisions		540
177,010			**180,019**
0	Movement in Fund Balance		0
0	Net Surplus/(Deficit) at Start of Year		0
0	**Net Surplus/(Deficit) Carried Forward**		**0**

Notes to the Collection Fund

(1) Council Tax

Council Tax is based partly on the valuation of domestic properties and is partly a Personal Tax with discounts for single occupiers. The Authority set the level of Council Tax in 2010/11 at £1,405.34 for band D properties (this included £309.82 on behalf of the Greater London Authority). The number of band D equivalent properties in each band making up the Council Tax base was as follows:

Band	2009/10 Number of Properties	2010/11 Number of Properties
A	972	990
B	8,040	8,303
C	19,757	20,284
D	29,033	29,242
E	22,133	22,146
F	9.895	9,898
G	4,818	4,827
H	327	337
Council Tax base collection allowance adjustment	(2,046)	(1,838)
Allowance for estimated full value of exemptions	(4,047)	(4,126)
	88,882	**90,063**

(2) Income from Business Rates

The Authority collects National Non-Domestic Rates (NNDR) for its area on behalf of Central Government, which is based on local rateable values (£141,335,806 at 31 March 2011), multiplied by a uniform rate (£0.414 in 2010/11). The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by Central Government. Under these arrangements the amounts included in these Accounts can be analysed as follows:

2009/10 £'000		2010/11 £'000
51,186	Gross NNDR due in the year	55,954
(3,551)	Less: Allowances and other adjustments	(6,729)
47,635		**49,225**

In addition to NNDR collected on behalf of the Government, the Authority has collected the sum of £1,298,678 on behalf of the Greater London Authority in respect of a Business Rate Supplement.

(3) Precept

The Collection Fund is required to meet in full the precepts of precepting Authorities and the demand of the billing Authority. Details are as follows:

2009/10 £'000		2010/11 £'000
97,624	London Borough of Redbridge	98,999
27,608	Greater London Authority	28,004
125,232		**127,003**

Pension Fund Account for the Year Ended 31 March 2011

2009/10		Note	2010/11	2010/11
£'000			£'000	£'000
	Contributions and Benefits			
31,086	Contributions receivable	3		31,314
2,998	Transfers in	4		2,858
34,084				**34,172**
	Less:			
(20,535)	Benefits payable	5		(22,701)
(5,479)	Leavers	6		(2,037)
(491)	Administrative expenses	7		(426)
(26,505)				**(25,164)**
7,579	**Net additions from dealings with members**			**9,008**
	Returns on Investments			
13,086	Investment income	8	17,264	
(299)	Irrecoverable withholding tax		(459)	16,805
	Change in market value of investments:			
9,093	-Realised profit/(loss)		7,453	
56,157	-Unrealised profit/(loss)		10,482	17,935
(1,492)	Investment management expenses	10		(1,465)
76,545	**Net returns on Investments**			**33,275**
84,124	**Net increase/(decrease) in the Fund during the year**			42,283
313,108	**Net Assets of the scheme at 1 April 2010**			397,232
397,232	**Net Assets of the scheme at 31 March 2011**			**439,515**

Net Asset Statement as at 31 March 2011

2009/10		Note	2010/11
£'000			£'000
397,348	Investment Assets	9	440,058
(92)	Investment Liabilities	9	0
256	Current Assets	11	159
(280)	Current Liabilities	11	(704)
397,232	**Net Assets of the Scheme at 31 March 2011**		**439,515**

The accounts summarise the transactions and net assets of the Fund. They do not take account of liabilities to pay pensions and other benefits in the future.

I certify that the Pension Fund Account and Net Asset Statement presents a true and fair view of the income and expenditure in 2010/11 and the Pension Fund's financial position as at 31 March 2011.

Geoff Pearce BA, CPFA
Director of Finance and Resources
30 June 2011

Notes to the Pension Fund Account

(1) Introduction

The Pension Fund is a funded, defined benefit occupational pension scheme set up under the Superannuation Act 1972 and is administered by the London Borough of Redbridge. The scheme provides pensions and other benefits to former Authority employees (except teachers, who have a separate scheme) and to the following admitted and scheduled bodies: Redbridge Theatre Company Limited, London & Quadrant Housing Trust, Housing 21, Morrisons, Redbridge Homes Limited (ALMO), Redbridge Vision Culture & Leisure. Redbridge College, Chadwell Heath Foundation School, Mayfield School, Ilford Ursuline High School and Little Heath School. As at 31 March 2011 there were 5,437 contributors (5,622 in 2009/10), 3,983 pensioners (3,860 in 2009/10) and 3,907 deferred pensioners (3,605 in 2009/10). With effect from May 2004, Councillors under the age of 70 have been entitled to join the Pension Scheme. 27 Councillors contribute to the scheme.

The Fund is financed by contributions from the Authority, participating employers and employees as well as interest, dividends and profits from realised investments. The funding policy is to ensure that over time the assets held by the Fund are adequate to meet future pension scheme liabilities.

Five Councillors are appointed annually by the Authority to the Pension Fund Investment Panel, which has the role of dealing with the management of the Pension Fund's investments in accordance with regulations laid down in statute and the Fund's Statement of Investment Principles.

The Pension Fund's financial statements provide a stewardship report on the Fund, together with a statement of the assets position at the financial year-end.

(2) Accounting Policies

Accounting Standards - The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and follow the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes supported by the International Financial Reporting Standards (IFRS).

Basis of Preparation – The financial statements are prepared on an accruals basis except in the case of transfer values, which are debited or credited in the year of payment or receipt in accordance with recommended practice.

Dividends and interest have been accounted for on an accrual basis. Investment income on overseas investments has been converted into sterling at the rate of exchange on settlement date.

Income from the Pooled Equity Trusts is re-invested by the Investment Manager and is shown in the Fund Account as part of the change in market value.

Recoverable withholding tax is accrued on the same basis as dividend income.

The financial statements summarise the transactions of the scheme and the net assets of the fund. The financial statements do not take account of liabilities to pay pensions and other benefits after the financial year-end. The actuarial position of the scheme, which does take account of such obligations, is dealt with in note 47 on pages 77-81 and these financial statements should be read in conjunction with them.

Investments – are shown in the Net Asset Statement at fair value. Fair value has been determined as follows:

a) Listed securities and securities on the Alternative Investment Market (AIM) are determined by Stock Exchange prices at the 31 March 2011;

b) Unit trust investments are stated at the latest prices quoted by their respective managers as at the 31 March 2011;

c) Transactions in foreign currencies are taken into account at the ruling rate of exchange at the time of the transaction and in the financial statements at rates ruling on the 31 March 2011;

d) Derivatives are accounted for using the Last Traded Price (LTP) and are shown at fair value in the net assets statement.

Costs of Acquiring Investments – these costs have been taken into account within the value of the assets.

Taxation

a) **UK Income Tax** – The Fund is an exempt approved fund and therefore not liable to UK income tax on interest, dividends and property income, or to capital gains tax;

b) **Value Added Tax** – By virtue of the London Borough of Redbridge being the administering authority, VAT input tax is recoverable on all fund activities;

c) **Overseas Tax** – Income from the USA is exempt from US taxes. Taxation agreements exist between Britain and certain EC and other countries whereby a proportion of the tax deducted locally from investment income may be reclaimed. The proportion reclaimable and the timescales involved vary from country to country.

Cash balances – held by the Authority are invested in accordance with the Authority's Annual Investment Strategy. The Pension Fund receives interest on its cash balances payable at the Authority's average investment rate.

(3) Contributions Receivable

Contributions represent those amounts receivable from the various employing bodies in respect of their own contributions and those of their contributing employees. Under the provisions of the scheme, employees' rates are based on pay bandings. The Fund's Actuary determines employer contribution rates (as a percentage of pensionable pay) plus any additional lump sum contributions required in respect of funding shortfalls at the time of the triennial actuarial valuation. For 2010/11 these were: London Borough of Redbridge (LBR) 23.1%; Redbridge College 12.5%; London and Quadrant Housing Trust 18.0% plus a lump sum contribution of £330,000; Vision – Redbridge Culture and Leisure 16.5%; Redbridge Homes 23.1%, Morrison Facilities Services 17.6% and Redbridge Theatre Company 18.5% plus a lump sum contribution of £14,000. Schools pay the same employer contribution rate as the Authority.

Early retirement - All capital costs, such as employee and employer contributions forgone, and the cost of making pension payments early in respect of non ill-health early retirements, are met by the employer that approved the early retirement.

		2009/10	2010/11
		£'000	**£'000**
Employers			
LBR	LBR	21,997	22,284
	Scheduled Bodies	1,323	1,362
	Admitted Bodies	803	763
		24,123	**24,409**
Members			
	LBR	6,363	6,310
	Scheduled Bodies	439	444
	Admitted Bodies	161	151
		6,963	**6,905**
		31,086	**31,314**

Contributions split between normal, deficit funding and augmentation are outlined below:

	2009/10	2010/11
	£'000	**£'000**
Normal Employer Contributions	14,368	14,120
Deficit Payments	9,571	9,582
Augmentation (Early Retirements)	184	707
	24,123	**24,409**

(4) Transfers In

Sums received for scheme members from other pension schemes that relate to periods of previous pensionable employment.

	2009/10	2010/11
	£000s	**£000s**
Individual Transfers from other schemes	2,998	2,858
	2,998	**2,858**

(5) Benefits Payable

Benefits are provided in accordance with the provisions of the Local Government Pension Scheme regulations.

	2009/10	2010/11
	£'000	£'000
Pensions - LBR	16,439	16,904
- Scheduled Bodies	294	313
- Admitted Bodies	319	375
Commutation of Pensions and Lump Sum Retirement Benefits	3,146	4,361
Lump Sum Death Benefit	337	748
	20,535	**22,701**

(6) Payments to and on Account of Leavers

Regulations permit a refund of employee contributions to be made to new members with less than three months initial scheme membership. Individual transfers are payments of accrued pension benefits in respect of scheme members who have left the Authority and joined a pension scheme elsewhere.

	2009/10	2010/11
	£'000	£'000
Refunds to members	4	5
Payment for members joining the state scheme	0	2
Individual transfers to other schemes	5,434	2,001
Interest	41	29
	5,479	**2,037**

(7) Administrative Expenses

In accordance with the regulations, all administrative expenses are chargeable to the Fund. The London Borough of Redbridge carries out the administrative function in-house.

	2009/10	2010/11
	£'000	£'000
Administration and processing	406	349
Actuarial fees	46	42
Audit fees	39	35
	491	**426**

(8) Investment Income

Interest and dividends shown in the revenue statement have been broken down as follows:

	2009/10	2010/11
	£'000	£'000
Fixed interest securities	6,641	7,356
Index Linked	70	38
Equities	5,015	3,114
Pooled Equity Units Trusts	0	5,213
Property Unit Trusts	584	752
Cash Deposits	644	90
Other Investment	132	301
Compensation Payment	0	400
	13,086	**17,264**
Less irrecoverable withholding tax	(299)	(459)
	12,787	**16,805**

(9) Investments

The table below shows a detailed analysis of the investments held by the Fund as at 31 March 2011.

	Value at 31/03/10	Purchases at cost	Sales Proceeds	Change in Fair value	Cash movement	Value at 31/03/11
	£'000	£'000	£'000	£'000	£'000	£'000
Equities	71,934	24,885	(20,951)	(257)	0	75,611
Fixed interest securities	130,395	51,172	(50,011)	662	0	132,218
Index Linked	4,325	0	0	483	0	4,808
Pooled	152,626	10,338	0	8,035	0	170,999
Property unit trusts	11,356	14,975	0	167	0	26,498
Cash Instruments	2,204	0	0	0	0	2,204
Cash Deposits	14,233	0	0	(986)	1,449	14,696
Commodities	6,766	1,629	(2,557)	1,021	0	6,859
Derivatives	498	6,694	(8,386)	1,357	0	163
	394,337	**109,693**	**(81,905)**	**10,482**	**1,449**	**434,056**
Investment Balances	2,919	0	0	0	3,083	6,002
	397,256	**109,693**	**(81,905)**	**10,482**	**4,532**	**440,058**

The change in fair value of investments during the year comprises all increases and decreases in the value of investments held at any time during the year, including profits and losses realised on sales of investments and changes in the sterling value of assets caused by changes in exchange rates. In the case of the pooled investment vehicles changes in market value also includes income, net of withholding tax, which is reinvested in the Fund.

The cost of purchases and the sales proceeds are inclusive of transaction costs, such as broker fees and taxes, amounting to £0.1 million.

Cash balances held by the Authority are included within cash deposits. As at 31 March 2011 the Authority held cash amounting to £3 million (£2.9 million at 31 March 2010).

The Fund Manager, Newton, wants to benefit from the potentially greater returns available from investing in equities but seek to minimise the risk of loss of value through adverse equity price movements. During the year the Fund bought a number of option contracts that protects against the volatility of the stock markets.

	2009/10	2010/11
	£'000	£'000
Equities		
UK Quoted	26,798	21,780
Overseas Quoted	45,136	53,831
	71,934	**75,611**
Fixed Interest Securities		
UK – Public Sector	42,569	48,116
Overseas – Public Sector	4,023	6,051
UK - Other	34,640	32,618
Overseas- Other	49,163	45.433
	130,395	**132,218**
Index Linked Securities		
UK – Public Sector	2,169	2,330
Overseas	2,156	2,478
	4,325	**4,808**
Pooled Investment Vehicles		
Unit trusts – UK	90,652	101,982
Unit trusts – Overseas	61,974	69,017
	152,626	**170,999**
Property Unit Trusts		
UK	11,356	26,498
	11,356	**26,498**
Cash		
Cash Instruments	2,204	2,204
Sterling Deposits	14,233	14,696
	16,437	**16,900**

Commodities		
Commodities	6,766	6,859
	6,766	**6,859**
Derivatives		
Call Options	(201)	(11)
Put Options	699	174
	498	**163**
Investment Balances		
Investment Income Due	2,420	2,353
Outstanding Sales	591	3,649
Outstanding Purchases	(92)	0
	2,919	**6,002**

A summary of the options held at the year end is set out below:

No of Contracts	Option Type	Total Cost	Date contract lapse	Value as at 31 March 2010
		£'000		**£'000**
2	Call Option	0	May 2011	(71)
1	Call Option	63	June 2011	60
1	Put Option	10	April 2011	12
5	Put Option	493	June 2010	162
		566		**163**

(10) Investment Management Expenses

The fees in respect of the Fund's general investment management have been accounted for on the basis contained within the appropriate management agreements. A proportion of relevant Authority officers' salaries, including on-costs, have been charged to the Fund in respect of time spent on investment related business.

	2009/10	2010/11
	£'000	**£'000**
Administration, management and custody	1,398	1,247
Performance management services	16	16
Other advisory fees	78	202
	1,492	**1,465**

(11) Current Assets and Liabilities

	2009/10	2010/11
	£'000	**£'000**
Contributions due	196	107
Prepaid Expenses	60	52
Total of Current Assets	**256**	**159**
Unpaid benefits	0	0
Accrued expenses	(280)	(704)
Total of Current Liabilities	**(280)**	**(704)**

(12) Stock Lending

The Fund does not participate in stock lending arrangements.

(13) Related Party Transactions

During the year no Councillors or Chief Officers with direct responsibility for Pension Fund issues have undertaken any declarable transactions with the Pension Fund, other than the following.

- Administrative services undertaken by the Authority of the Pension Fund were £411,000 (£445,000 in 2009/10).

(14) Fund Management

As at 31 March 2011, the fair value of assets under management was £439.5 million. The Fund has undertaken work in conjunction with the Fund's external adviser, JLT Consultants and Actuaries, to implement a long-term strategy to match the objective of being fully funded. The revised structure of the Fund resulted in a strategic benchmark of 80% equities (including property and cash) and 20% bonds. This resulted in the appointment of a new fund manager in February and two new fund managers in March following a tender process. The revised investment strategy with the new fund manager will be implemented in 2011/12. As set out in the Pension Fund's Statement of Investment Principles, the asset allocation may be varied and rebalancing may be suspended at the discretion of the Pension Fund Investment Panel. As at 31 March 2011, the Fund was allocated as shown in the table below:

Manager	Mandate	Value of Portfolio	% of the Fund
		£'000	%
Legal & General	Global Equity	168.6	38.4%
Newton	High Alpha (includes equities & bonds)	124.9	28.4%
Standard Life	Bonds	116.2	26.4%
Schroders	Property	9.9	2.3%
BlackRock	Property	16.9	3.8%
LBR	Cash	3.0	0.7%
		439.5	**100%**

(15) Investments and Performance as at 31 March 2011

Investments: the Fund's asset mix was as follows:

	2009/10	2010/11
Equities	57%	56%
Bonds	34%	31%
Property	3%	6%
Cash and other investments	6%	7%
	100%	**100%**

Performance: of the Fund and the investment managers was as follows:

Total Fund - the Fund had an annual investment return that outperformed the Fund's benchmark of by 1.6% and a three-year return that was in-line with the Fund's benchmark.

a) **Legal and General** - have had an investment return of 13.9% compared to their customised benchmark of 13.8% since inception in November 2009. The objective of the mandate with Legal and General is to track the various market indices.

b) **Newton -** had an absolute investment return of 11.4% since inception. Newton's performance measure is I month LIBOR plus 4% over a five-year rolling basis at present Newton is outperforming this objective.

c) **Standard Life -** had an investment return of 5.1% compared to their customised benchmark of 4.2% since inception in May 2006. The outperformance was due to stock selection.

d) **Schroders** - The property portfolio had an annual investment return of 8.1% compared to their customised benchmark of 9.1%. The under-performance was due to the investments in land and regeneration schemes,.

e) **BlackRock** - The property portfolio had an annual investment return of 7.0% compared to their customised benchmark of 9.1%. The underperformance was due to entry fees resulting from increased investments. Over a five year period, BlackRock has out-performed the benchmark by 1.3%.

(16) Statement of Investment Principles

The Authority is required by law to prepare and publish a Statement of Investment Principles (SIP). This Statement sets out the Fund's policy on a range of matters relating to the investments and management of the Pension Fund and is regularly reviewed and updated. A copy of the SIP can be found on the Authority's website www.redbridge.gov.uk.

(17) Actuarial Valuation

In 2010/11, the contribution paid by the Authority as an employer was calculated by an actuarial valuation of the Fund as at the 31 March 2007. The valuation as at 31 March 2007 set the employer's contribution rates for the years 2008/09, 2009/10 and 2010/11. The actuarial method used by the Actuary is known as the "projected unit method". The key feature of this method is that in assessing the future service cost, the Actuary calculates the contribution rate, which meets the cost of benefits accruing in the year after the valuation date. This is the same method adopted at the previous valuation and is an appropriate method for a fund, which is open to new members.

For this valuation the actuary adopted a market value approach whereby assets were valued initially on a market value basis and liability assumptions were derived from gilt yields. Those assumptions, which have the most significant effect on the results of the valuation, are:

Assumption	Rate
The rate of increase in pensionable earnings	3.2%
The rate of return on investments	4.7%
''Gilt-based'' discount rate	4.5%
The level of increase in earnings growth	6.3%

The result of the 2007 valuation was that the value of the Fund's assets was actuarially assessed as £343.9 million, which was sufficient to meet 74% of its accrued liabilities. The employer's contribution rate required as a result of the valuation incorporates a phased increase in the balance of the Fund to meet 100% of future benefit liabilities, as required by Pension Fund regulations. As a result of the 2007 valuation, those employers within the Fund that have funding shortfalls are required to make repayment over an agreed period in accordance with the policies set out in the Pension Fund's Funding Strategy Statement (available on the Authority's web site www.redbridge.gov.uk), and certified by the Actuary in the Actuarial Report. The new employer contribution rates and shortfall payments commenced from 1 April 2008.

The 2010 Triennial Valuation was undertaken as at 31 March 2010 and has determined employer contribution rates from 1 April 2011.

(18) Financial Reporting Standard 17 (IAS19)

The Fund's Actuary prepares reports for the purposes of IAS19 for the Authority and other employers participating in the Pension Fund upon request. Further information pertaining to the Authority is included at note 47 of the Notes to the Core Financial Statements on pages 77 to 81.

The Actuary has calculated that the liabilities at 31 March 2011 for the entire Fund comprises of:

Type of Member	Liability £'million
Employees	306
Deferred Members	97
Pensioners	238
TOTAL	**641**

These calculations have been determined using the following financial assumptions:

Year Ended	31 March 2011 % p.a.	31 March 2010 % p.a.
Inflation / Pension Increase Rate	2.8	3.8
Salary Increase Rate	4.6	5.3
Discount Rate	5.5	5.5

(19) Additional Voluntary Contributions (AVC's)

The Authority has a statutory obligation to provide an additional voluntary contribution (AVC) facility. This facility provides the means for members of the Pension Fund to pay contributions into a policy, which will be used to buy additional pension benefits when the member retires. The Authority has appointed Clerical Medical and Standard Life as joint AVC providers to provide a range of AVC fund options. A residual arrangement remains with the Authority's previous provider, Equitable Life, specifically for pension fund members who were contributing to this fund and wished to continue to do so. A total of 24 members of the Pension Fund contribute to the AVC schemes. In 2010/11 £58,579 of contributions were made to the AVC Scheme (£35,388 in 2009/10).

The Authority, as employer, does not make any contribution to the AVC scheme and these funds do not form part of the Authority's Pension Fund accounts.

(20) Post Balance Sheet Event

There have been no material events since 31 March 2011 that require adjustment or disclosure, up until the date of publication of these Statement of Accounts.

(21) Contingent Liabilities

There were no material contingent liabilities or contractual commitments at the year-end.

Group Accounts 2010/11

Basis of Consolidation
Redbridge Homes Ltd is an Arms Length Management Organisation (ALMO) responsible for managing and providing all the housing related services such as repairs and maintenance of Council dwellings. Redbridge Homes Ltd began its operations on 1 April 2007 and its results are consolidated within the group from that date. The Authority has concluded that it controls Redbridge Homes Ltd through its shareholding and the voting power attached to it. It therefore consolidates the company line by line into its Group Accounts as a subsidiary.

The Group Accounts have been prepared on the basis of full consolidation of the financial transactions and balances of the London Borough of Redbridge and Redbridge Homes Ltd.

Redbridge Homes Ltd has been incorporated as a subsidiary. – the Authority's Investment in the company is incorporated into the Group Accounts by combining the results of the Authority and Redbridge Homes Ltd and netting out any inter party transactions.

Group Comprehensive Income and Expenditure Statement

31 March 2010				31 March 2011		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
69,806	66,902	2,904	Central services to the public	70,154	68,355	1,799
55,804	12,209	43,595	Cultural, environmental, regulatory and planning services	53,531	12,145	41,386
346,921	290,198	56,723	Education and children's services	378,737	332,412	46,325
30,422	12,884	17,538	Highways and transport services	33,636	14,718	18,918
12,781	16,923	(4,142)	Local authority housing (HRA)	57,233	17,647	39,586
188,278	180,419	7,859	Other housing services	186,067	169,250	16,817
85,394	23,052	62,342	Adult social care	91,683	31,014	60,669
7,764	1,463	6,301	Corporate and democratic core	7,135	964	6,171
6,318	0	6,318	Non distributed costs	(65,241)	0	(65,241)
803,488	**604,050**	**199,438**	**Cost of Services**	**812,935**	**646,505**	**166,430**
			Other Operating Expenditure			
		140	(Gain)/Loss on disposal of non current assets			13,160
		(1,267)	Other Income			0
		(24)	Repayment of grants, loans and distributions			(78)
		292	Payments to Housing Capital Receipts to Government Pool			686
		179	Environment Agency			180
		10,101	East London Waste Authority			10,701
		434	London Pensions Fund Authority			345
		274	Lea Valley Regional Park Authority			276
		(1)	Tax Expense			(1)
			Financing and Investment Income and Expenditure			
		4,985	Interest payable on debt			5,486
		49	Interest element of finance leases (lessee)			194
		1,207	Interest payable on PFI unitary payments			1,187
		14,740	Pension Interest costs			33,328
		0	Expected return on pension assets			(25,230)
		(1,721)	Investment interest income			(1,479)
		(112)	Interest received on finance leases (lessor)			(113)

(1,525)	Rentals received on investment properties	(1,588)
47	Expenses incurred on investment properties	44
(3,268)	Changes in Fair Value of investment properties	291
	Taxation and Non-Specific Grant Income	
(50,774)	Recognised capital grants & contributions	(48,004)
(97,624)	Council Tax	(99,005)
(77,056)	NNDR	(85,590)
(17,785)	RSG	(12,428)
(11,163)	Non service related government grants	(16,425)
(30,434)	**(Surplus) or Deficit on Provision of Services**	**(57,633)**
	Surplus or deficit on revaluation of noncurrent assets	
(95,321)	Surplus or deficit on revaluation of Property, Plant & Equipment assets	(712)
99,775	Actuarial Gains/Losses on Pension Fund Assets & Liabilities	9,975
4,454	**Other Comprehensive Income and Expenditure**	**9,263**
(25,980)	**Total Comprehensive Income and Expenditure**	**(48,370)**

Group Statement of changes in Equity

Restated 2009/10 £'000		**2010/11 £'000**
(30,434)	Net (Surplus) / Deficit for the year	(57,633)
(95,321)	(Surplus) / Deficit on revaluation of Fixed Assets	(712)
99,775	Actuarial (Gains) and Losses on Pension Fund Assets and Liabilities	9,975
0	Movement on Collection Fund Balance	0
(25,980)	**Total Recognised (Gains) and Losses for the Year**	**(48,370)**

Group Balance Sheet as at 31 March 2011

31 March 2010 £000		31 March 2011 £000
867,062	Property, Plant and Equipment	856,860
31,159	Investment Property	31,688
1,059	Intangible Assets	846
2,256	Long-term Investments	2,396
3,364	Long-term Debtors	3,342
904,900	**Long-term Assets**	**895,132**
57,093	Short-term Investments	82,933
0	Assets Held for Sale	100
161	Inventories	168
44,423	Short-term Debtors	41,232
19,455	Cash and Cash Equivalents	7,602
121,132	**Current Assets**	**132,035**
(9,864)	Short-term Borrowing	(11,037)
(56,324)	Short-term Creditors	(63,373)
(7,236)	Capital Grants Receipts in Advance	(3,749)
(73,424)	**Current Liabilities**	**(78,159)**
(9,100)	Provisions	(10,258)
(103,092)	Long-term Borrowing	(112,307)
(304,073)	Other Long-term Liabilities	(239,358)
(5,424)	Capital Grants Receipts in Advance	0
0	Capital Contributions Receipts in Advance	(5,437)
(421,689)	**Long-term Liabilities**	**(367,360)**
530,919	**Net Assets**	**581,648**
	Usable Reserves	
14,639	General Fund	14,843
53,618	Earmarked (Revenue) Reserves	59,673
2,397	Housing Revenue Account	2,426
3,489	Capital Receipts Reserves	2,432
12,853	Schools	14,297
3,917	Major Repairs Reserve	0
4,169	Capital Contributions Unapplied	0
6,344	Capital Grants Unapplied	8,891
48	Redbridge Homes Profit & Loss Account	123
	Unusable Reserves	
512	Deferred Capital Receipts	534
137,175	Revaluation Reserves	127,062
583,228	Capital Adjustments Accounts	578,957
(297)	Financial Instruments Adjustment Account	(236)
(285,665)	Pension Reserves	(222,287)
(5,508)	Short-term Accumulating Compensated Absences Account	(5,067)
530,919	**Total Reserves**	**581,648**

G. Pearce, BA, CPFA
Director of Finance and Resources
30 June 2011

Group Cash Flow Statement

2009/10 £000		2010/11 £000
25,033	Net (surplus) or deficit on the provision of services	50,860
41,362	Adjustments to net surplus or deficit on the provision of services for non-cash movements	62,845
18,892	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(94,086)
85,287	Net cash flows from operating activities	19,619
(43,967)	Investing activities	(42,254)
(20,529)	Financing activities	10,782
20,791	Net increase or decrease in cash and cash equivalents	**(11,853)**
(1,336)	Cash and cash equivalents at the beginning of the reporting period	19,455
19,455	**Cash and cash equivalents at the end of the reporting period**	**7,602**

Notes to the Group Financial Statements

(1) Accounting Policies

Redbridge Homes Ltd is a private company limited by guarantee under the Companies Act. As such it has no share capital. The Company's sole shareholder is the London Borough of Redbridge. The Authority is required to prepare Group Accounts where it has interests in subsidiaries, associates and joint ventures. It has determined that the interest held in Redbridge Homes Ltd is such that it requires Group Accounts to be prepared. The Financial Statements in the Group Accounts are prepared in accordance with the policies set out in the statement of accounting policies on pages 26 to 37.

(2) Cash Flow Statement – Investing Activities

2009/10 £'000		2010/11 £'000
	The cash flows for operating activities include the following items	
25,033	Net (Surplus) or deficit on the provision of services	50,860
41,362	Adjustments to net surplus or deficit on the provision of services for non cash movements	62,846
	Cash outflows	
(6,069)	Interest paid	(6,681)
(49)	Interest element of finance lease rental payment	(194)
(8)	Taxation	(1)
(282)	Management of liquid resources	0
140	(Loss)/Gain on sale of fixed assets	0
(6,721)	Items that appear elsewhere in the cash flow statement	(4,857)
	Cash inflows	
4,283	Interest received	1,602
11,064	Other non-cash transactions/internal transfers	(78,601)
1,211	Adjustment to pension costs for FRS17	(11,352)
9,807	Increase/(decrease) in creditors	7,809
132	(Increase)/decrease in payments in advance	(507)
79	(Increase)/decrease in stock and work in progress	(7)
5,305	(Increase)/decrease in debtors	(1,298)
85,287		**19,619**

(3) Cash Flow Statement – Investing Activities

2009/10 £'000		2010/11 £'000
(68,943)	Purchase of property, plant and equipment, investment property and intangible assets	(68,159)
0	Purchase of short term and long term investments	(140)
199	Proceeds from the sale of property, plant, equipment, investment property and intangible assets	1,154
22,100	Proceeds/(Purchases) from short term and long term investments	(25,840)
2,677	Other receipts investing activities	50,731
(43,967)	**Net cash flows from investing activities**	**(42,254)**

(4) Cash Flow Statement – Financing Activities

2009/10 £'000		2010/11 £'000
16,000	Cash Receipts of short term and long term borrowing	15,000
210	Other receipts from financing activities	139
(235)	Cash payments for the reduction of the outstanding liabilities relating to the finance leases on balance sheet PFI contracts	255
(36,504)	Repayments of short term and long term borrowing	(4,612)
(20,529)		**10,782**

(5) Results of Redbridge Homes Limited Operations

The net liabilities of the company for year ended 31 March 2011 totalled £1.114 million (£2.293 million for year ended 2009/10). The company made a net profit in 2010/11 of £1.309 million after taxation (a profit of £ 0.102 million for year ended 2009/10).

(6) Other Information

These group accounts have been prepared from the 2010/11 draft unaudited accounts of Redbridge Homes Ltd.

Redbridge Homes Ltd Auditors - Baker Tilly UK Audit LLP, First Floor, 46 Claredon Road, Watford.

A copy of the Redbridge Homes Ltd Accounts can be obtained from the Director of Resources and Company Secretary, Redbridge Homes Limited, Orchard Housing Office, 152 Broadmead Road, Woodford Green, Essex IG8 0AG.

Group Movement in Reserves Statement

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied Account	Other Usable Reserves	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Authority's share of Reserves of Subsidiaries, Associates and Joint Ventures	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2009	**12,466**	**45,621**	**7,745**	**10,482**	**12,618**	**88,932**	**419,350**	**508,282**	**(1,242)**	**507,040**
Movement in reserves during 2009/10										
Surplus or (deficit) on the provision of services	20,243	0	0	0	13,705	**33,948**	0	**33,948**	102	**34,050**
Other Comprehensive Income & Expenditure	0						(5,608)	**(5,608)**	(1,153)	**(6,761)**
Total Comprehensive Income & Expenditure	**20,243**	**0**	**0**	**0**	**13,705**	**33,948**	**(5,608)**	**28,340**	**(1,051)**	**27,289**
Adjustments between Group Accounts and Authority accounts	0	0	0	0	0	**0**	0	**0**	0	**0**
Net Increase/Decrease before transfers	**20,243**	**0**	**0**	**0**	**13,705**	**33,948**	**(5,608)**	**28,340**	**(1,051)**	**27,289**
Adjustments between accounting basis and funding basis under regulations	33,980	1,569	2,392	0	(6,574)	**31,367**	(31,367)	**0**	0	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**54,223**	**1,569**	**2,392**	**0**	**7,131**	**65,315**	**(36,975)**	**28,340**	**(1,051)**	**27,289**
Transfers to/from Earmarked Reserves	(52,050)	6,737	(6,648)	30	(891)	**(52,822)**	49,412	**(3,410)**	0	**(3,410)**
Balance at 1 April 2010	**14,639**	**64,675**	**3,489**	**10,512**	**8,110**	**101,425**	**431,787**	**533,212**	**(2,293)**	**530,919**
Movement in reserves during 2010/11										
Surplus or (deficit) on the provision of services	90,841	0	0	0	(31,899)	**58,942**	0	**58,942**	1,309	**60,251**
Other Comprehensive Income & Expenditure	0	0	0	0	0	**0**	(9,392)	**(9,392)**	(130)	**(9,522)**
Total Comprehensive Income & Expenditure	**90,841**	**0**	**0**	**0**	**(31,899)**	**58,942**	**(9,392)**	**49,550**	**1,179**	**50,729**
Adjustments between Group Accounts and Authority accounts	0	0	0	0	0	**0**	0	**0**	0	**0**
Net Increase/Decrease before transfers	**90,841**	**0**	**0**	**0**	**(31,899)**	**58,942**	**(9,392)**	**49,550**	**1,179**	**50,729**
Adjustments between accounting basis and funding basis under regulations	(82,965)	0	(1,057)	(1,621)	27,838	**(57,805)**	57,805	**0**	0	**0**
Net Increase/Decrease before Transfers to Earmarked Reserves	**7,876**	**0**	**(1,057)**	**(1,621)**	**(4,061)**	**1,137**	**48,413**	**49,550**	**0**	**49,550**
Transfers to/from Earmarked Reserves	(7,672)	7,672	0	0	0	**0**	0	**0**	0	**0**
(Increase)/Decrease in 2010/11	**204**	**7,672**	**(1,057)**	**1,621**	**(4,061)**	**1,137**	**48,413**	**49,550**	**1,179**	**50,729**
Balance at 31 March 2011	**14,843**	**72,347**	**2,432**	**8,891**	**4,049**	**102,562**	**480,200**	**582,762**	**(1,114)**	**581,648**

Glossary

Actuary
An independent consultant who advises on the financial position of the Pension Fund.

Actuarial Valuation
Every three years the Actuary reviews the assets and liabilities of the Pension Fund and reports to the Authority on the fund's financial position and recommended employers' contribution rates.

Appropriation
The transfer of ownership of an asset, from one Service to another, at an agreed (usually market or outstanding debt) value.

Accruals
The amounts by which receipts or payments are increased in order to record the full income and expenditure incurred in an accounting period.

Amortisation
The writing off of a charge or loan balance over a period of time.

Approved Investments
These are investments that Local Authorities are permitted to make using their unapplied Capital and Revenue Funds. These investments must be in sterling and normally consist of deposits with Banks, Building Societies, and other financial institutions. Such investments are treated as neither revenue nor capital expenditure.

Area Based Grant
Grant paid by the Central Government to Local Authorities. This grant is not specific to a service area.

Balance Sheet
A statement of all the assets, liabilities and other balances of the Authority at the end of an accounting period.

Budget
A forecast of future expenditure plans for the Authority. Detailed revenue budgets are prepared each year and it is on the basis of these figures that the Council Tax is set. Budgets are revised towards the year-end to take account of inflation, changes in patterns of services, and other factors.

Capital Charge
A depreciation charge to Service Revenue Accounts to reflect the cost of fixed assets used in the provision of the service.

Capital Expenditure
Expenditure on the acquisition of fixed assets or expenditure that adds to the value of an existing fixed asset.

Capital Adjustment Account
Represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions.

Capital Receipt
Income received from the sale of a capital asset such as land or buildings.

Carrying Value (Book Value)
For Financial Instruments, this value is the amount to be recognised on the Balance Sheet. Financial Assets and Liabilities need to be recognised in the Balance Sheet at fair value or at amortised cost.

Cash
Comprises cash in hand and demand deposits.

Cash equivalents
Are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash flows
Are inflows and outflows of cash and cash equivalents.

Collateral
Assets pledged by a borrower to secure a loan.

Collection Fund
A Statutory Account, which receives Council Tax, Non-Domestic Rates and Government Grants to cover the costs of services, provided by Redbridge and its precepting authorities.

Community Assets
Assets that the Local Authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of Community Assets are parks and historic buildings.

Comprehensive Income and Expenditure Statement
A Statement showing the Income and Expenditure of the Authority's services during the year. It demonstrates how costs have been financed from general Government Grants and Income from Local Taxpayers.

Contingent Liability
A possible liability to future expenditure at the Balance Sheet date dependant upon the outcome of uncertain events.

Credit Ratings for Investments
A scoring system used by credit rating agencies such as Fitch, Moody's and Standard and Poor's to indicate the credit worthiness and other factors of Governments, Banks, Building Society's, and other financial Institutions.

Creditors
Amount of money owed by the Authority for goods and services received.

Curtailment
For a defined benefit pension scheme, an event that reduces the expected years of future service of employees or for a number of employees, the accrual of defined benefit for some or all of their entitlement. Examples include: -

- Termination of employees' services earlier then expected (for example as a result of discontinued operations); and
- Termination of, or amendments, to the terms of a defined benefit scheme, so that some or all future services by current employees no longer qualify for benefits or will qualify for reduced benefits.

Debtors
Amount of money owed to the Authority by individuals and organisations.

Deferred Capital Receipts
The balance of outstanding mortgages granted to purchasers of council houses.

Deferred Liabilities
These are creditor balances repayable after one year.

Defined Benefit Scheme
A pension scheme that defines the benefits independently of the contributions payable. Benefits are not directly related to the investments of the Pension Fund.

Depreciation
A Provision made in the accounts to reflect the value of assets used during the year. Deprecation forms part of the capital charge made to Service Revenue Accounts.

Earmarked Reserves
Amounts set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish provisions.

Fair Value
The amount that an asset can be exchanged or a liability settled between knowledgeable and willing parties in an arms length transaction.

Finance Lease
A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

Financial Instruments Adjustment Account (FIAA)
Provides a balancing mechanism between the different rates at which gains and losses are recognised under the Code and are required by Statute to be met from the General Fund.

Financing activities
Are activities that result in changes in the size and composition of the principal, received from or repaid to external providers of finance.

General Fund (GF)
Redbridge's main Revenue Account from which is met the cost of providing most of the Authority's services.

General Fund Working Balance
Revenue Funds that are uncommitted and available to support general funding pressures not otherwise specifically covered by planned budget or earmarked reserves.

Government and Other Capital Contributions Deferred
Capital Grants received which will be credited to revenue in future years in line with depreciation for related fixed assets.

Historic Cost
The actual cost of an asset in terms of past consideration as opposed to its current value.

Housing Revenue Account (HRA)
A Statutory Account maintained separately from the General Fund for the recording of income and expenditure relating to the provision of Council Housing.

Impairment
A reduction in the valuation of a fixed asset caused by consumption of economic benefits or by a general fall in prices.

Impracticable:
Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so.

Infrastructure Assets
Assets that have an indeterminate life and, although valuable, do not have a readily realisable value e.g. roads.

Intangible Fixed Assets
Non-financial fixed assets that do not have physical substance but are identifiable and controlled by the Authority, for example purchased software licences.

Minimum Revenue Provision (MRP)
The amount that has to be charged to revenue to provide for the redemption of debt.

National Non-Domestic Rates Pool (NNDR Pool)
Non-Domestic Rates are paid into a central pool controlled by Central Government. This money is then redistributed to Local Authorities on the basis of a formula based on resident population.

Net Book Value
The amount at which fixed assets are included in the Balance Sheet after depreciation has been provided for.

Net Current Replacement Cost
The current cost of replacing or recreating an asset in its existing use adjusted for the notional depreciation required to reflect the asset's existing condition and remaining useful life.

Net Realisable Value
The open market value of the asset less the expenses to be incurred in realising the asset.

Non Current Assets (Tangible Fixed Assets)
Tangible Assets that yield benefits to the Local Authority and the services it provides for a period of more than one year.

Non-Operational Assets
Fixed assets held by the Authority but not directly occupied, used or consumed in the delivery of its services. Examples are investments and surplus properties.

Operating Lease
A lease other than a finance lease, i.e. a lease that permits the use of the asset without substantially transferring the risks and rewards of ownership.

Operational Assets
Fixed assets held, occupied, used or consumed by the Authority in the direct delivery of its service.

Outturn
The actual level of expenditure and income for the year.

Post Balance Sheet Events
Those events that relate to the accounting year, both favourable and unfavourable, which occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the Director of Finance and Resources.

Precept
The charge made by one Authority (e.g. Greater London Authority) on another Authority (e.g. Redbridge) to finance its net expenditure.

Private Finance Initiative
A Central Government initiative whereby contracts are let to private sector suppliers for both services and capital investment in return for a unitary payment, which may be reduced if performance targets are not met.

Projected Unit Method
Actuarial valuation method whose key feature is to assess future service cost; the Actuary calculates the employer's contribution rate, which will meet the cost of benefits accruing in the year after the valuation date. This method is considered appropriate for a Pension Fund open to new members.

Provisions
Amounts set aside for liabilities and losses, which are certain or very likely to occur but where the exact amount or timing of the payment are uncertain.

Public Works Loans Board (PWLB)
Central Government Agency, which funds much of Local Government borrowing.

Registered Social Landlord
A not for profit organisation that owns and manages homes.

Reserves
Amounts set aside that do not fall within the definition of a provision, to fund items of anticipated expenditure. These include general reserves or balances, which every Authority must maintain as a matter of prudence.

Revaluation Reserve
Represents the increase value of the Authority's land and building assets from 1 April 2007.

Revenue Expenditure
The day-to-day expenditure of the Authority, e.g. pay, goods and services and capital financing charges.

Revenue Support Grant
Grant paid by the Central Government to Local Authorities. This grant is not attributable to specific services.

Soft Loan
Loans given at less than market/commercial rates.

Surplus or Deficit on the Provision of Services
Is the total of income less expenses, excluding the components of Other Comprehensive Income and Expenditure.

Support Services
Activities of a professional, technical and administrative nature which are not local authority services in their own right, but support main front line services.

Abbreviations used in Accounts

ABG	Area Based Grant
AGS	Annual Governance Statement
AIM	Alternative Investment Market
BSF	Building Schools for the Future
BVACOP	Best Value Accounting Code of Practice
CFR	Capital Financing Requirement
CIPFA	Chartered Institute of Public Finance and Accountancy
CLG	Communities and Local Government
CODE	Code of practice on local authority accounting
DFE	Department for Education
DSG	Dedicated Schools Grant
DWP	Department for Work and Pensions
ELWA	East London Waste Authority
FIAA	Financial Instruments Adjustments Account
FRS	Financial Reporting Standard
GLA	Greater London Authority
HRA	Housing Revenue Account
I and E	Income and Expenditure Account
IAS	International Accounting Standard
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standard
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LBR	London Borough of Redbridge
LGPS	Local Government Pension Scheme
LPFA	London Pensions Fund Authority
MRA	Major Repairs Allowance
MRP	Minimum Revenue Provision
NNDR	National Non-Domestic Rates
PCT	Primary Care Trust
PFI	Private Finance Initiative
PWLB	Public Works Loans Board
RICS	Royal Institute of Chartered Surveyors
RSG	Revenue Support Grant
SIP	Statement of Investment Principles
SORP	Statement of Recommended Practice
SSAP	Statement of Standard Accounting Practice
UCRR	Usable Capital Receipts Reserve